



Information to the condensed consolidated report of the Energa Group

for Q1 2020

Gdańsk, 9 June 2020

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1. SUMMARY

ENERGA GROUP IN Q1 2020



One of the leading energy groups and a reliable supplier of electricity and services for nearly ¼ of Poland, with a 57% share of RES in own production.

Financial data

Revenues	EBITDA	EBITDA margin
PLN 3,289 m	PLN 568 m	17.3%

Renewable energy sources

Installed capacity	RES production	
508 MWe	455 GWh	<p>hydro; 45%</p> <p>wind; 47%</p> <p>biomass; 7%</p> <p>PV; 1%</p>

Operating data

Volume of electricity supplied	Gross electricity production	Retail sales
5.7 TWh	0.8 TWh	4.9 TWh

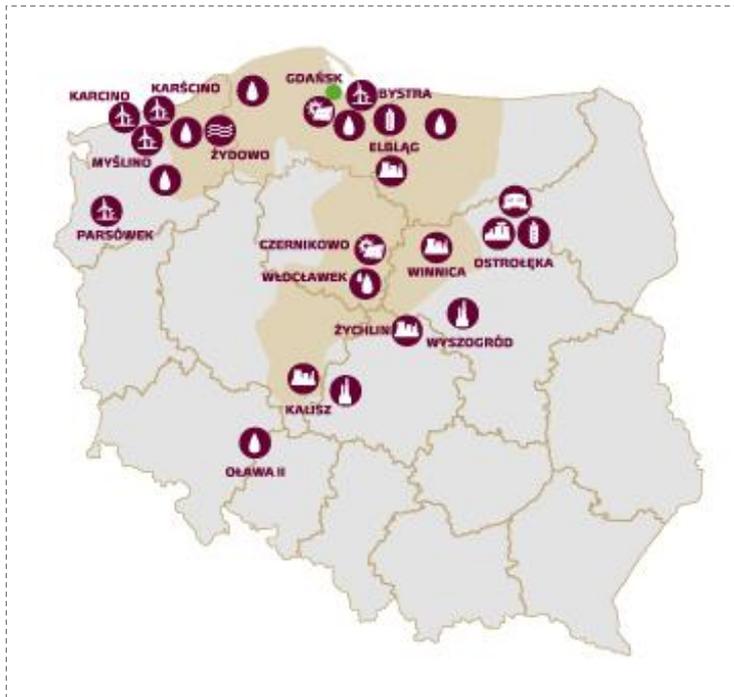
Basic facts for investors

Capitalization*	Share price*	Member of indices, including:	Fitch's rating of Energa*
PLN 2.9 bn	PLN 6.90		BBB

*at the end of Q1 2020

Key resources

Length of distribution network	Installed capacity	Employees
190 k km 	1.35 GWe <i>Of which 38% are RES</i> 	9.9 k 



-  Heating plant
-  Coal
-  Pumped-storage power plant
-  System power plant
-  Small hydro power plant
-  Big hydro power plant
-  CHP
-  Wind farm
-  Photovoltaic farm
-  Biomass-fired installation
-  Headquartered ENERGA SA
-  Electricity distribution area
-  Electricity sales area

Key Business Lines

Distribution	Generation	Sales
		
EBITDA: PLN 493 m	EBITDA: PLN 69 m	EBITDA: PLN 34 m

Investments

PLN 331 m	New customers	Upgrade of high-, medium- and low-voltage lines	New RES
<i>Of which Distribution: PLN 266 m</i>	15 thousand	676 km	115 MW



Hydro plant Żelkowo

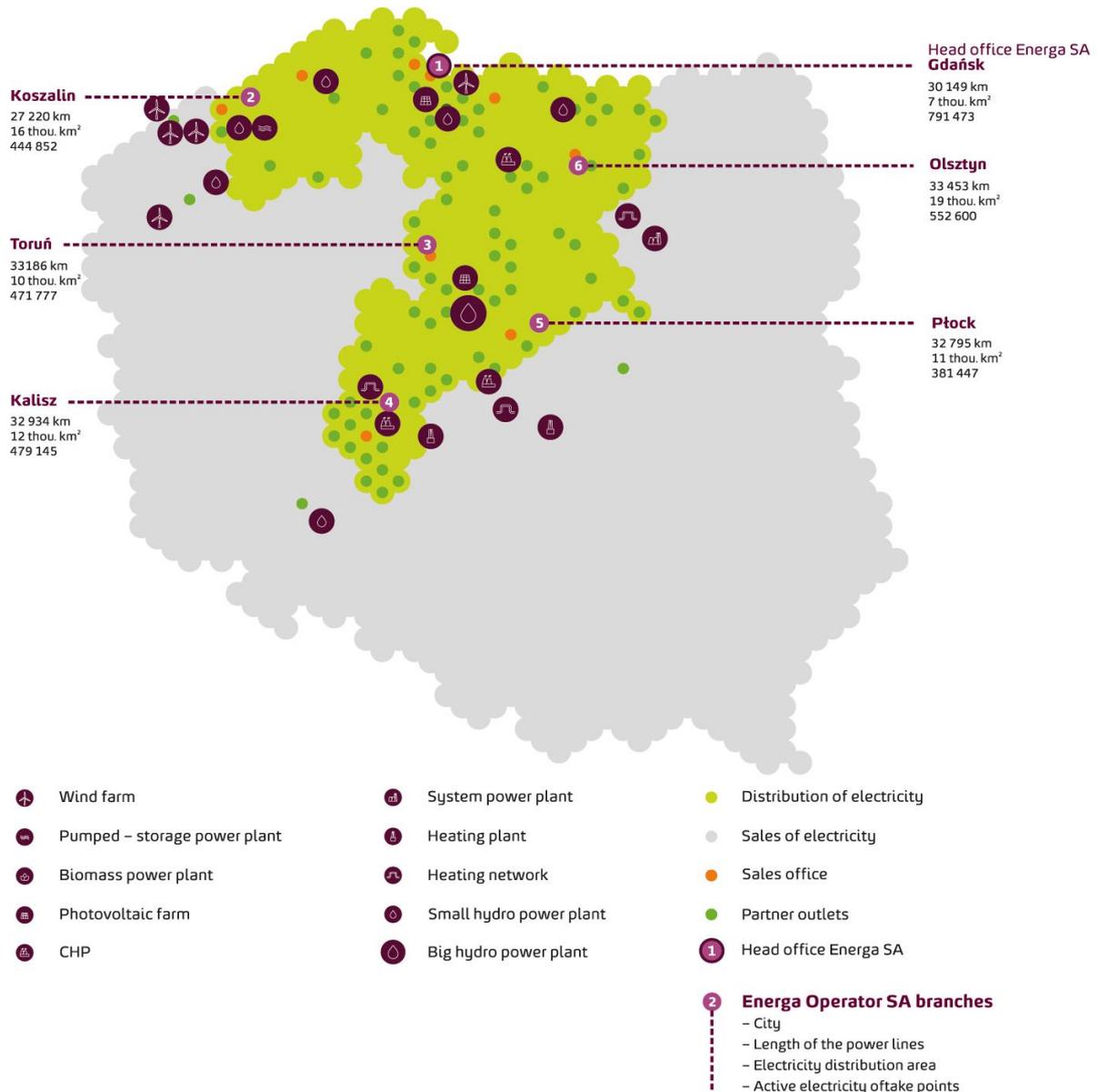
Key information about the Group

2. KEY INFORMATION ABOUT THE GROUP

2.1. Activities and structure of the Group

The core business of the Energa Group involves the distribution, generation and the sale of electricity and heat. As at 31 March 2020, the Energa Group consisted of 22 companies, including its parent company, Energa SA (“Energa”, “Company”).

Figure 1: Business locations and main assets of the Group



Activities of the Group concentrate on the following business lines:

Distribution Business Line. This is the Business Line of key importance to the Group’s profitability, involved in the distribution of electricity (which is a regulated activity in Poland) conducted on the basis of tariffs approved by the President of the Energy Regulatory Office (“ERO”). Energa Operator SA acts as the Leading Entity in this Line. Energa Group has a natural monopoly position in the northern and central part of Poland which hosts the Group’s distribution assets through which the Group supplies

electricity to 3.2 million customers, approximately 3.0 million of whom are customers with universal agreements and 185 thousand are TPA (Third Party Access) customers. At the end of March 2020, the total length of the power lines operated by the Group was approx. 190 thousand km and covered almost 75 thousand sq. km, i.e. approximately 24% of the area of Poland.

Generation Business Line. The operation of this Business Line is based on four Generation Areas: the Ostrołęka Power Plant, Hydro, Wind and Other (including cogeneration – CHP). At the end of March 2020, the total installed generation capacity in the Group's power plants was approx. 1.3 GW. The Leading Entity in this Business Line is Energa OZE SA.

The Energa Group owes its leading position, in terms of the percentage of electricity from renewable energy sources in the total energy generated, primarily to the generation of energy by its hydro power plants and wind power plants. Green energy is produced by 46 hydropower plants, 5 wind farms, two photovoltaic installations as well as biomass-fired installations (as part of Energa Elektrownie Ostrołęka and Energa Kogeneracja entities).

The Group generated ca. 0.8 TWh of electricity (in gross terms) in Q1 2020, relying on a mix of sources such as hard coal, water, wind, biomass, and solar energy. In Q1 2020, 41% of the Group's gross electricity production originated from coal, 29% from hydro, 22% from wind and 9% from biomass.

Sales Business Line. The Business Line with Energa Obrót SA as the Leading Entity sells electricity, gas and additional services offered to clients both as separate products and in packages. Products and services are sold to all customer segments, from industry through large, medium and small enterprises, and to households. As at the end of March 2020, the Energa Group had 3.1 m customers, including 2.8 m classified as G tariff customers, with the remainder being customers from tariff groups: C, B and A, in a decreasing order.

Major changes in the Group's structure and organisation

Energa Ciepło Ostrołęka

On 24 March 2020, Energa Elektrownie Ostrołęka signed a purchase agreement for shares of Energa Ciepło Ostrołęka from Energa Kogeneracja Spółka z o.o. The value of the transaction was PLN 37 m.

Energa Serwis

On 28 April 2020, Energa Elektrownie Ostrołęka signed a purchase agreement for 4,000 shares of Energa Serwis sp. z o.o. from Energa SA. The total nominal value of shares amounted to PLN 2 m and they constituted 14.08% of the company's share capital.

ECARB

On 11 May 2020, Energa OZE signed a purchase agreement for 1,275 shares of ECARB sp. z o.o. from Energa SA. The total nominal value of shares was PLN 63.7 thousand and they constituted 35.40% of the company's share capital.

The company was registered in the National Court Register on 4 May 2020. The main subject of actual activity is other financial service activities, servicing the block of shares of Polska Grupa Górnicza S.A. ("PGG") in terms of developing the strategy and analyzes necessary to perform the activities and rights and obligations arising from the holding of PGG shares.

2.2. Material events in the reporting period and after the balance sheet date

Results of the Tender Offer to subscribe for the sale of the Company's shares, announced on 5 December 2019 by PKN ORLEN S.A.

On 28 January 2020, the Management Board of Energa adopted, pursuant to Article 80 of the Act of 29 July 2005 on Public Offering and the Terms of Introduction of Financial Instruments to an Organized Trading System and on Listed Companies, a position regarding the Tender Offer to

subscribe for the sale of the Company's shares, announced on 5 December 2019 by PKN ORLEN S.A. ("PKN ORLEN"), in which the Management Board stated that the price of shares proposed in the Tender Offer is within the estimated fair value of the Company's shares.

The Company's Management Board adopted its position based on the company's opinion of Deloitte Advisory sp. z o.o. limited partnership and information from the Tender Offer.

The start of the subscription for shares in the Tender Offer took place on 31 January 2020, and the end of the subscription for shares, originally scheduled for 9 April 2020, took place on 22 April 2020.

On 31 March 2020, the European Commission issued an unconditional decision on consent to concentration consisting in taking control over Energa.

On 15 April 2020 the Management Board of PKN ORLEN decided to increase the price in a tender offer to subscribe for the sale of all shares of Energa from the level of PLN 7 to the level of PLN 8,35 per one share. The increased price in the Tender Offer was paid for all shares of Energa subscribed for sale in the whole period of the Tender Offer, i.e. from 31 January 2020 to 22 April 2020.

On 22 April 2020, the Extraordinary General Meeting (EGM) adopted a resolution amending the Articles of Association of Energa to waive the voting restrictions referred to in § 27(1)-(7) of the Articles of Association.

On 29 April 2020 the Management Board of Energa received a notification from PKN ORLEN concerning a change by PKN ORLEN of its share in the Company's share capital and in the total number of votes in the Company, according to which on 24 April 2020 PKN ORLEN, as a result of settlement of the purchase of shares covered by subscriptions made during the first 70 days of accepting subscriptions (i.e. until 9 April 2020 inclusive) as part of the Tender Offer, it increased its share in the Company's share capital and in the total number of votes in the Company to ca. 8.1% and ca. 6.0%, respectively.

On 30 April 2020 the Management Board of Energa received another notification from PKN ORLEN concerning a change by PKN ORLEN of its share in the Company's share capital and in the total number of votes in the Company, according to which on 30 April 2020 PKN ORLEN, as a result of settlement of the purchase of shares covered by subscriptions made from 10 April 2020 until 22 April 2020 inclusive as part of the Tender Offer, it increased its share in the Company's share capital and in the total number of votes in the Company to 80.01% and 85.20%, respectively. At the same time, the Company received from PKN ORLEN a notification about establishment of parent – subsidiary relationship between PKN ORLEN and the Company, which is the result of settlement of all transactions of purchase of shares covered by subscriptions made under the Tender Offer.

Signing of agreements concerning the Ostrołęka C Power Plant project

On 13 February 2020, Energa concluded an agreement with Enea S.A. ("Enea") on the suspension by both companies of financing of the project of construction of a new coal-fired unit at the planned Ostrołęka C power plant in Ostrołęka with a capacity of approx. 1,000 MW ("Project").

The financing was suspended in particular in connection with the need for, and for the duration of, the analyses to be carried out by both companies regarding further actions under the Project, including its continued financing.

By a reason of abovementioned, on 14 February 2020, the Management Board of Energa was informed that Elektrownia Ostrołęka sp. z o.o. had instructed the general contractor under the Contract for construction of Ostrołęka C Power Plant of a capacity of approx. 1,000 MW of 12 July 2018 and the contractor under the Agreement on reconstruction of the railway infrastructure for Ostrołęka C Power Plant of 4 October 2019 to suspend performance of all works under the contracts, effective as of 14 February 2020.

On 2 June 2020 the Management Board of Energa accepted the final report on analyses conducted in collaboration with Enea. The conclusions from the analyses do not justify continuation of the Project in its existing form, i.e. the project to construct a power plant generating electricity in the process of hard coal combustion. The following aspects have, among other things, influenced the above evaluation:

- regulatory changes at the level of the European Union and credit policy of individual financial institutions, indicating a significantly higher availability of financing for energy projects based on gas combustion than coal projects; and
- takeover of control over the company by PKN ORLEN, whose strategy does not envisage any investment projects in the production of energy based on coal combustion.

At the same time, the technical analysis confirmed that a power plant producing energy as part of natural gas combustion may be built in the existing location of the coal-fired power plant being built (“Gas Project”).

As a consequence, the Management Board of the Company took a decision intending to continue the construction of the generating unit in Ostrołęka, upon accounting for the change in the fuel source from coal to gas.

On 2 June 2020, Energa, Enea and PKN ORLEN entered into a trilateral agreement setting out the following main terms of cooperation under the Gas Project:

- subject to the below restrictions, the Company will continue to cooperate with Enea as part of the existing special-purpose vehicle, that is the company Elektrownia Ostrołęka Sp. z o.o. and will settle with Enea the Project-related costs as well as will settle with the project contractors, according to the existing rules.
- accounting for the role, if any, of PKN ORLEN in the Gas Project as a new partner,
- the participation of Enea in the Gas Project as a minority shareholder with a limit on the exposure amount; as a consequence, Enea will not have joint control over Elektrownia Ostrołęka,
- subject to obtaining the necessary corporate approvals, entering into a new shareholders’ agreement on the implementation of the Gas Project, upon accounting for the above terms of cooperation,
- the Company together with PKN ORLEN taking actions to obtain funding for the Gas Project.

Decision to launch a review process of available strategic options concerning combined cycle gas turbine projects (CCGT) located in Gdańsk and Grudziądz

On 27 February 2020, the Management Board of Energa passed a resolution concerning the launch of the procedure leading to a review of available strategic options, including conduct of in-depth market reconnaissance and making enquiries with external entities to determine their interest in a potential strategic partnership or purchase of the Company’s special-purpose vehicles carrying out the projects consisting in construction of combined cycle gas turbines (CCGT) located in Gdańsk and Grudziądz, namely CCGT Gdańsk Sp. z o.o. and CCGT Grudziądz Sp. z o.o.

Decisions to settle out of court all disputes regarding the invalidity of the agreement for the sale of property rights under certificates of origin between Energa Obrót and three of the sued wind farms

In 2020, until the date of this quarterly report, Energa Obrót, a subsidiary, and 2 of the 22 wind farms sued by Energa Obrót (about which the Company informed in the current report no. 37/2017) settled amicably all their disputes regarding the agreement for the sale of property rights under certificates of origin (CPA agreement):

- On 27 February 2020. The parties to the settlement agreed not to continue their cooperation in purchasing property rights under the agreements challenged by Energa Obrót SA and the terms of the settlement have a neutral effect on the financial result of Energa Obrót SA.
- On 8 May 2020. The parties to the settlement considered their relationship based on the agreement challenged by Energa Obrót to be definitely terminated, with the terms of the settlement having a neutral impact on Energa Obrót’s financial result.

As at the end of May 2020, Energa Obrót concluded 8 settlements with the sued wind farms (of which 3 settlements in 2019 and 2 settlements in 2020). The total capacity of the facilities affected by the settlements accounted for approx. 59% of the total installed capacity of all sued wind farms.

Composition and changes to the composition of the corporate bodies of Energa

In 2020, there were changes on the corporate bodies of Energa SA. They are presented in note 3 to the condensed interim consolidated financial statements of the Energa Group for the three months ended 31 March 2020.

The CVs of all members of the Company's bodies can be found online at <https://grupa.energa.pl/en/energa-group/company-management>.

Global coronavirus pandemic and its potential impact on the Group's activity

On 11 March 2020, the World Health Organization (WHO) declared the SARS-CoV-2 coronavirus pandemic. On 14 March 2020, the state of epidemiological threat was declared in the territory of the Republic of Poland. On 20 March 2020, the state of epidemic was announced in the territory of the entire country.

The pandemic of SARS-CoV-2 coronavirus causing COVID-19 illness is a phenomenon that will undoubtedly have a huge impact on the global economy and on the situation in Poland.

In the current market conditions, the Group identifies the following potential market risks:

- declining demand for electricity, especially from end customers from A, B and C tariff groups - the Group estimates a decrease in the volume of energy sales to end users by 7% compared to the situation before the pandemic;
- deteriorating payment discipline of customers due to their deteriorating financial situation;
- decreasing the volume of production in Energa Elektrownia Ostrołęka Sp. z o.o.;
- eroding work performance, likely to arise from sick leaves, compulsory quarantine and implemented work reorganization designed to prevent the spread of the virus, also through the use of remote work;
- the need for Energa Obrót to submit new collaterals securing its purchase transactions to the Clearing and Settlement House (Izba Rozliczeniowa Giełd Towarowych S.A. or IRGiT) within the framework of topping up security deposits as a direct result of the currently observed decline in electricity prices. It should be stressed, however, that a broader range of tools enabling submission of non-cash collaterals to IRGiT has been implemented currently within the scope of introduction of shielding measures by the Polish Government in connection with the pandemic meant, among other things, to hedge against liquidity risk in the companies trading on the Polish Power Exchange. Remedial measures introduced by the act are to be in operation until the end of Q3 2020.

The total impact of the CoV-2 pandemic on the Group's EBITDA in Q1 2020 was estimated at approx. PLN 27 m.

Relying on scenario-based analyses, the Group does not identify a risk of default on its obligations or terms of financing agreements in the area of finance activity. The Group has also taken measures to secure its liquidity in connection with the changes in the market environment and the expiry of credit commitments in 2020. The related intensive discussions are being held with financial institutions and the risk of their failure has not been identified.

The Group has the ability to effectively counteract any adverse phenomena that may occur, both in the short, medium and long term. Consequently, there is no evidence of any threat to the Company continuing as a going concern.

Covering the net loss for 2019

On 28 May 2020, the Management Board of Energa decided to recommend to the General Meeting of Energa SA to cover the Company's net loss of PLN 374 000 000 for the financial year 2019 from the supplementary capital.

On 1 June 2020 the Company's Supervisory Board issued a positive opinion on the Company Management Board's recommendation on covering the Company's net loss for 2019. The Management Board's recommendation along with the opinion of the Supervisory Board will be submitted to the General Meeting, which will make the final decision on covering of the Company's net loss for 2019.

Fitch Ratings downgrades Energa SA rating

On 29 May 2020 Fitch Ratings downgraded the Company's long-term foreign and local currency Issuer Default Ratings (IDRs) from 'BBB' to 'BBB-' with a Stable Outlook, rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ) to 'BBB-', and rating for Energa SA's hybrid bonds to 'BB'.

The main reason for the downgrade as provided by the agency is the acquisition of the Company by PKN ORLEN, effective from 30 April 2020 (detailed information is presented in chapter 6.3. *Ratings*).

2.3. Capital expenditures and execution of key projects

Within three months of 2020, capital expenditures of the Energa Group totalled PLN 331 m, and were lower by PLN 38 m or 10% YoY. Investments made in the Distribution Business Line accounted for 80% of the total expenditures of the Group and amounted to PLN 266 m.

The investments of the Distribution Business Line included grid expansion aimed at connecting new customers and producers as well as upgrades to improve the reliability of electricity supply.

In the Generation Business Line, investments totalled PLN 52 m, a significant portion of which were outlays made to ensure compliance with applicable environmental requirements and to retrofit Ostrołęka B Power Plant.

The Sales Business Line, in turn, allocated PLN 6 m to investments, most of which was spent on work related to lighting assets.

Table 1: Implementation status of the investment program for 3 months of 2020

Project description	Capital expenditures in 3 months of 2020 (PLN m)
Distribution Business Line	266
Modernization of the distribution grid to improve reliability of supplies	101
Grid expansion due to new customer connections	129
Grid expansion in connection with HV flows and ee source connections	15
Other investment expenditures, collisions and corrections	21
Generation Business Line	52
Ostrołęka B Power Plant (Construction of IOS II)	45
Przykona Wind Farm	2
Modernization of hydropower plants	2
Modernization of sources and networks for cogeneration sources	1
Other capital expenditures	2
Sales Business Line	6
Capital expenditures for lighting assets	4
Sales Support System	1
Other capital expenditures	1
Other companies, projects and corrections	7
Total	331

Przykona Wind Farm

The farm, with an installed capacity of 31.05 MW, is being built in the reclaimed areas of the coal mine in Przykona. It includes 9 wind Vestas V-126 turbines with a capacity of 3.45 MW each. The main construction works (roads, foundations, RSN Przykona and Żuki buildings), the MV power output line (11km) and installation of all 9 wind energy turbines have been completed.

Planned operational tests took place in Q1 2020, a coronavirus epidemic caused a slowdown in work and delays in the implementation of major tasks /milestones. It is expected that the completion of works will be in accordance with the adopted assumptions. The planned completion date of the investment is Q2 2020.

Construction of IOS II in Ostrołęka B Power Plant

The project concerns the adaptation of technological equipment of Energa Elektrownie Ostrołęka SA to the requirements of Directive 2010/75 / EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control, the so-called IED Directive). The completion of the project will allow Elektrownia Ostrołęka B to achieve the abovementioned Directive on sulfur dioxide (SO₂) emissions in flue gas below 200 mg/Nm³ downstream of the emitter, effective from 1 January 2016.

In 2020, site and commissioning works for the new installation will continue and the planned completion date of the investment is Q3 2020.

Smart Grid

The project, aimed at ensuring the stability and flexibility of the distribution system by implementing intelligent power grid solutions, is co-financed by the EU under the Infrastructure and Environment Operational Program Project. Purchase and installation of overhead load switches on medium-voltage lines, indoor switchgears along with remote-control sets and TETRA telecommunications modems is continued.

As part of the project, the SCADA power network traffic control system will be developed with a fault location module, which will shorten the duration of electricity supply interruptions.

A part of the project is the construction of an energy storage facility, dedicated to stabilize the operation system of the 4 MW PV farm in Czernikowo.

Energy storage facility in Bystra

The last phase of construction of a hybrid electricity storage facility at a wind farm in Bystra with a target capacity of 6 MW and a capacity of 27 MWh (the largest facility of this type in Poland and one of the largest in the world) is underway. Currently, electrical devices and installations are being assembled along with the necessary electrical measurements.

Due to the pandemic announced by WHO and the closing of borders in Poland, the project schedule will be extended.

Investment program in CHP area

The program is aimed at carrying out restructuring activities within the CHP area in the Energa Group, as a result of which profitability will be restored and will generate positive cash flow, also for the potential sale of selected CHP assets. The investment program assumes maintaining position on the heat markets in Elbląg and Kalisz.

CCGT Grudziądz and CCGT Gdańsk – new gas-steam power plants

The projects concern the construction of a new gas-steam power plants. Modern energy infrastructure will allow the development of its generating base for the needs of providing capacity services and electricity sales.

The status of works:

- CCGT Grudziądz - design works were carried out and key administrative decisions were obtained to achieve the project's readiness for implementation. Works related to the selection of the General Contractor are ongoing (EPC<SA tender). The project is scheduled to participate in the Capacity Market auction in 2020 for the deliveries in 2025. According to the Act on the Capacity Market, the project was submitted for general certification on 3 January 2020 and obtained an entry into the Capacity Market Register.
- CCGT Gdańsk - design works aimed at completing key administrative decisions to achieve project implementation readiness are continued.

Analyses aiming at developing a target projects implementation model are under way.

Project of construction of Ostrołęka C power plant

The project of construction of Ostrołęka C power plant in Ostrołęka is currently under conversion due to the change in the fuel source from coal to gas (detailed information is presented in the chapter 2.2. *Key events in 2019 and after the balance sheet date* of this document).



Photovoltaic farm in Bystra

Financial and assets situation of the Group

3. FINANCIAL AND ASSETS SITUATION OF THE GROUP

3.1. Principles used in the preparation of the quarterly consolidated financial statements

The condensed interim consolidated financial statements of the Energa Group as at and for the 3-month period ended 31 March 2020 have been prepared:

- in accordance with the International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union,
- on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives,
- in PLN million ("PLN m"),
- based on the assumption that the Group would continue as a going concern in the foreseeable future. As at the date of the financial statements, there is no evidence indicating that the continuation of the Energa Group's business activities as a going concern may be at risk.

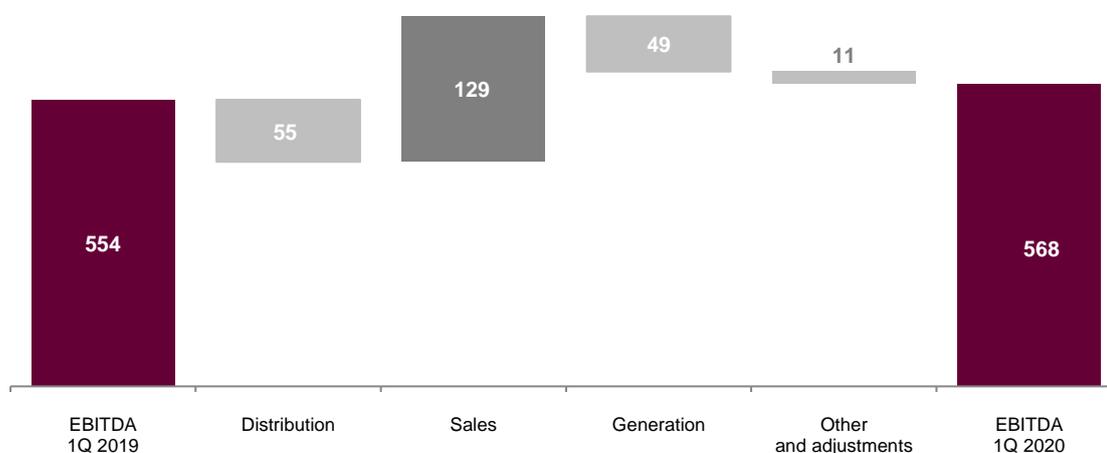
Accounting principles (policy) applied to preparation of the Condensed Interim Consolidated Financial Statements were presented in Note 7 to the Condensed Interim Consolidated Financial Statements of the Energa Group as at and for the three-month period ended on 31 March 2020.

3.2. Explanation of the economic and financial data disclosed in the condensed consolidated financial statements

Table 2: Consolidated statement of profit or loss (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Sales revenues	2,971	3,286	315	11%
Revenue from the Price Difference Payout Fund	-	3	3	-
Cost of sales	(2,528)	(2,806)	(278)	11%
Gross profit on sales	443	483	40	9%
Other operating income	61	60	(1)	-2%
Selling and distribution expenses	(101)	(102)	(1)	1%
General and administrative expenses	(93)	(100)	(7)	8%
Other operating expenses	(19)	(34)	(15)	79%
Operating profit	291	307	16	5%
Result on financial activity	(79)	(99)	(20)	25%
Share in profit/(loss) of the entities measured by the equity method	9	(19)	(28)	< -100%
Profit or loss before tax	221	189	(32)	-14%
Income tax	(35)	(78)	(43)	> 100%
Net profit or loss for the period	186	111	(75)	-40%
EBITDA	554	568	14	3%

Figure 2: EBITDA bridge by Business Line (PLN m)



In Q1 2020, the Group's EBITDA was PLN 568 m compared to PLN 554 m in Q1 2019. The highest growth was recorded by the Sales Business Line, primarily due to the low performance in Q1 2019, caused in particular by the loss of revenues (no implementing provisions for the Act "on energy prices in 2019"). In other Business Lines, EBITDA decreased YoY. In the Distribution Business Line, the key change factors included a decrease in the distribution margin (taking into account grid losses) and an increase in OPEX. On the other hand, the yoy decline in the Generation Business Line was mainly due to lower revenues from the sale of electricity (lower production volumes at the Ostrołęka Power Plant and hydro power plants, amplified by the low prices effect), and lower revenues from system services for PSE (Transmission System Operator).

In Q1 2020, the Distribution Business Line had the greatest share in the Group's EBITDA (87%). The Generation Business Line and Sales Business Line had a share of 12% and 6%, respectively.

Q1 2020, operating profit (EBIT) was PLN 307 m compared to PLN 291 m in the first quarter of 2019 (up by 5%). The YoY change in EBIT was primarily affected by the operating factors described above.

In Q1 2020, the Group recognised a share in profits of associated entities and joint ventures at PLN -19 m, down by PLN 28 YoY. This change was largely caused by a change in the share in the financial result of Polska Grupa Górnicza S.A.

In Q1 2020, the Group's net profit was PLN 111 m compared to PLN 186 m in the first quarter of 2019. The YoY decrease was additionally influenced by higher financial expenses (mainly exchange rate differences relating to the redemption of Eurobonds) and income tax (the effect of the change in the value of the provision for the deferred tax payable in Sweden).

In Q1 2020, the Group's sales revenues were PLN 3,289 m, up by 11% (PLN 318 m) compared to the first quarter of 2019. The highest increase was recorded in the Sales Business Line, mainly as a result of higher revenues from the sale of electricity, as described above.

The following table shows the effect of extraordinary events on EBITDA.

Table 3: EBITDA adjusted by material non-recurring items (PLN m)

EBITDA	
Q1 2020	
EBITDA	568
Adjusted EBITDA	588
<i>including:</i>	
<i>Provision for contracts resulting in charges</i>	<i>(38)</i>
<i>Revenue loss due to G Tariff</i>	<i>49</i>
Q1 2019	
EBITDA	554
Adjusted EBITDA	737
<i>including:</i>	
<i>Provision for contracts resulting in charges (reversal)</i>	<i>(37)</i>
<i>Loss of revenue – impact of the Act “on energy prices in 201”9 – estimate</i>	<i>209</i>

Table 4: Consolidated statement of financial position (PLN m)

	As at 31 December 2019	As at 31 March 2020	Change 2020/2019	Change 2020/2019 (%)
ASSETS				
Non-current assets				
Property, plant and equipment	14,262	14,359	97	1%
Intangible assets	223	219	(4)	-2%
Right-of-use assets	847	842	(5)	-1%
Goodwill	11	11	-	-
Investments in associates and joint ventures measured by the equity method	336	316	(20)	-6%
Deferred tax assets	262	311	49	19%
Other non-current financial assets	190	207	17	9%
Other non-current assets	144	145	1	1%
	16,275	16,410	135	1%
Current assets				
Inventories	756	1,017	261	35%
Current tax receivables	61	51	(10)	-16%
Trade receivables	1,489	1,576	87	6%
Contract assets	313	359	46	15%
Other current financial assets	203	789	586	> 100%
Cash and cash equivalents	1,461	647	(814)	-56%
Other current assets	409	694	285	70%
	4,692	5,133	441	9%

TOTAL ASSETS	20,967	21,543	576	3%
EQUITY AND LIABILITIES				
Equity				
Share capital	4,522	4,522	-	-
Foreign exchange differences from translation of a foreign entity	-	4	4	-
Reserve capital	1,018	1,018	-	-
Supplementary capital	2,035	2,035	-	-
Cash flow hedge reserve	(52)	(137)	(85)	< -100%
Retained earnings	1,730	1,849	119	7%
Equity attributable to equity holders of the Parent Company	9,253	9,291	38	0%
Non-controlling interest	11	9	(2)	-18%
	9,264	9,300	36	0%
Non-current liabilities				
Loans and borrowings	2,047	1,950	(97)	-5%
Liabilities on account of the issue of debt securities	2,326	2,486	160	7%
Non-current provisions	786	803	17	2%
Deferred tax liabilities	738	776	38	5%
Deferred income and non-current grants	296	299	3	1%
Liabilities under lease	637	614	(23)	-4%
Other non-current financial liabilities	82	67	(15)	-18%
	6,912	6,995	83	1%
Current liabilities				
Trade liabilities	802	574	(228)	-28%
Contract liabilities	139	119	(20)	-14%
Current part of loans and borrowings	393	2,896	2,503	> 100%
Liabilities on account of the issue of debt securities	2,219	28	(2,191)	-99%
Deferred income and grants	188	155	(33)	-18%
Short-term provisions	583	730	147	25%
Other financial liabilities	235	187	(48)	-20%
Other current liabilities	232	559	327	> 100%
	4,791	5,248	457	10%
Total liabilities	11,703	12,243	540	5%
TOTAL EQUITY AND LIABILITIES	20,967	21,543	576	3%

As at 31 March 2020, the balance sheet total of the Energa Group was PLN 21,543 m, up by PLN 576 m compared to the end of 2019.

There were no significant changes in non-current assets. In turn, on the current assets side, changes were mainly observed in cash (the reasons for the change in cash were described later on in the section on cash flows) and in other short-term financial assets, which increased by PLN 586 m, mainly as a result of an increase in margins for the transactions cleared through the IRGiT.

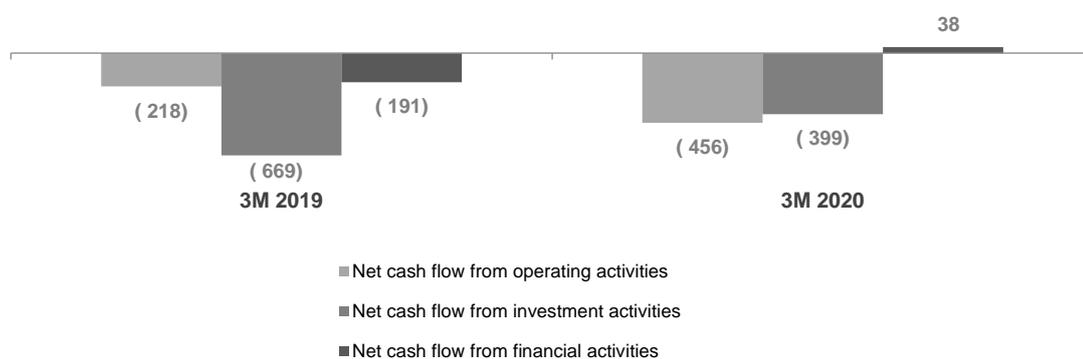
As at 31 March 2020, Energa Group's equity was PLN 9,300 m, and financed the Group's assets in 43%.

The key change in liabilities was related to the change in the current part of loans and borrowings, and concerned loan drawdowns totalling PLN 2,500 m. A significant change, opposite to the change specified above, was noted in short-term liabilities on account of the issue of debt securities, and was mainly related to the redemption of Eurobonds maturing in March 2020, issued in March 2013 by Energa Finance AB (publ) under the EMTN programme. Noteworthy is also the change in other short-term liabilities, a result of recognition of deferred property tax.

Table 5: Consolidated statement of cash flows (PLN m)

	3 months of 2019	3 months of 2020	Change 2020/2019	Change 2020/2019 (%)
Net cash flow from operating activities	(218)	(456)	(238)	< -100%
Net cash flows from investment activities	(669)	(399)	270	40%
Net cash flows from financial activities	(191)	38	229	> 100%
Net increase / (decrease) in cash	(1,078)	(817)	261	24%
Cash and cash equivalents at the end of the reporting period	1,648	640	(1,008)	-61%

Figure 3: The Group's cash flows (PLN m)



As at 31 March 2020, the Group cash position adjusted for the effect of foreign exchange differences, was PLN 640 m, down by PLN 1,008 m YoY.

Total net cash flows from operating, investment and financial activities of the Group in Q1 2020 were negative at PLN 817 m, compared to negative flows of PLN 1,078 m in Q1 2019.

Cash flows from operating activities dropped by PLN 238 m compared to Q1 2019. Lower cash flows from operating activities were mainly caused by a decrease in gross profit on sales, an increase in trade receivables and an increase in provisions on account of the obligation to present certificates for redemption.

In Q1 2020, net outflows from investment activities decreased by PLN 270 m, mainly due to lower expenditures on the acquisition of tangible and intangible assets, as well as lower expenditures on investments in associates and joint ventures.

In Q1 2020, cash flows from financial activities were positive at PLN 38 m compared to negative flows of PLN 191 m in Q1 2019. Q1 2020 saw significant inflows from loans taken, and outflows from redemption of debt securities and loan repayments.

Figure 4: Structure of assets and liabilities

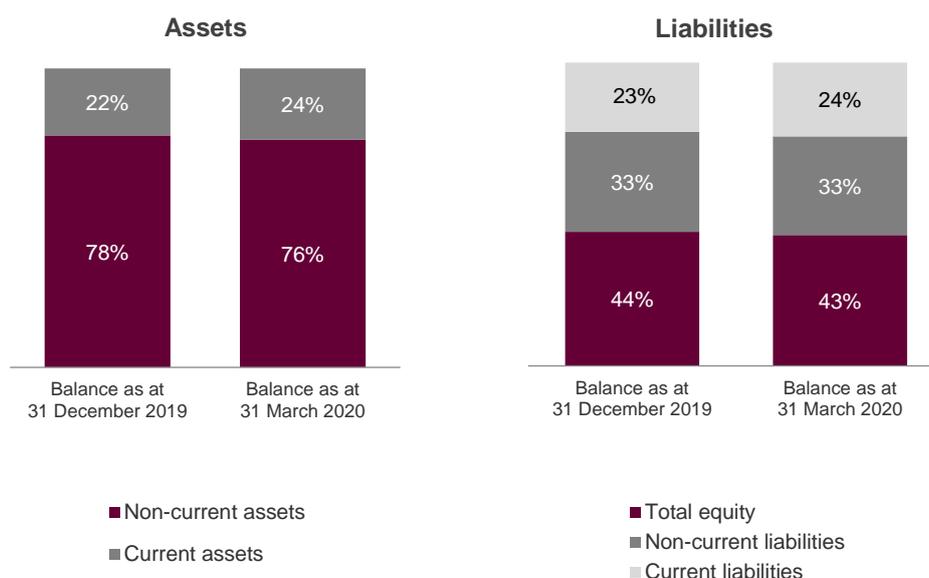


Table 6: Financial ratios of the Energa Group

Ratio	Definition	Q1 2019	Q1 2020
Profitability			
EBITDA margin	operating result + depreciation and amortization + impairment losses on non-financial non-current assets/ sales revenues (taking into account the revenue from the Price Difference Payout Fund)	18.6%	17.3%
return on equity (ROE)	net profit for the period*/ equity at the end of the period	6.2%	-11.6%
return on sales (ROS)	net profit for the period / sales revenues (taking into account the revenue from the Price Difference Payout Fund)	6.3%	3.4%
return on assets (ROA)	net profit for the period*/ total assets at the end of the period	3.0%	-5.0%

* net profit for the last 12 months

Ratio	Definition	As at 31 December 2019	As at 31 March 2020
Liquidity			
current liquidity ratio	current assets/current liabilities	1.0	1.0
Debt			
financial liabilities (PLN m)	total liabilities due to loans and borrowings, debt securities and leases (both long- and short-term)	7,661	8,016
net financial liabilities (PLN m)	financial liabilities - cash and cash equivalents	6,200	7,369
net debt**/EBITDA* ratio	net financial liabilities/EBITDA	2.2	2.7

* EBITDA for the last 12 months.

** the value of net financial liabilities included in the calculation of the net debt/EBITDA ratio includes the key elements defined in the financing agreements.

Both sales revenues and EBITDA increased in the first quarter of 2020 compared to the same period of the previous year. The key drivers of the change are presented in the section describing financial figures. However, due to the lower EBITDA growth compared to the growth in sales revenues, the EBITDA

margin decreased. In turn, the unfavourable net profit change in the first quarter of 2020 caused a decline in the ROE. The change in profitability ratios, which are calculated based on the profit for the last 12 months, was mainly attributable to the 2019 result.

The net debt/EBITDA ratio increased mainly as a result of a lower level of cash, amplified by an increase in financial liabilities as at 31 March 2020 compared to 31 December 2019. EBITDA for the last 12 months was at a similar level.

3.3. Description of significant off-balance sheet items

Relevant information has been presented in Section *Guarantees and Surety Bonds* of these document and in Note 19 *Contingent assets and liabilities* to the Condensed Interim Consolidated Financial Statements.

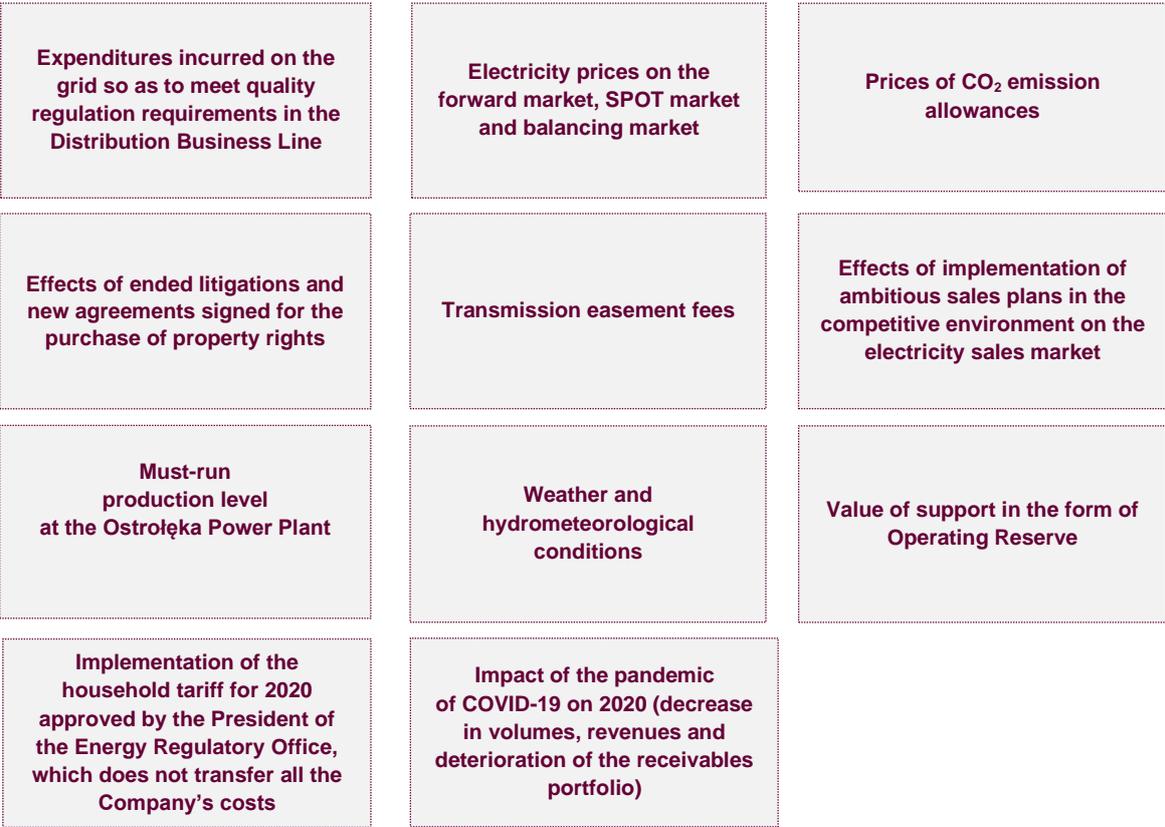
3.4. Projected financial results

The Management Board of Energa SA has not published any projections for stand-alone or consolidated financial results for the 2020 financial year.

3.5. Factors affecting the Energa Group’s performance within at least the next quarter

In the opinion of the Management Board of Energa SA, the factors described below will affect the performance and operations of the Company and the Energa Group within at least the next quarter.

Figure 5: Factors affecting the Energa Group’s performance within the next quarter





Activities of the Energa Group's Business Lines

4. ACTIVITIES OF THE ENERGA GROUP'S BUSINESS LINES

Table 7: EBITDA of the Energa Group, by Business Line

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
DISTRIBUTION	548	493	(55)	-10%
GENERATION	118	69	(49)	-42%
SALES	(95)	34	129	> 100%
OTHER and consolidation eliminations and adjustments	(17)	(28)	(11)	-65%
Total EBITDA	554	568	14	3%

4.1. Distribution Business Line

4.1.1. Key operating data

Table 8: Electricity distribution by tariff group (GWh)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Tariff group A (HV)	829	806	(23)	-3%
Tariff group B (MV)	2,252	2,200	(51)	-2%
Tariff group C (LV)	1,157	1,116	(41)	-4%
Tariff group G (LV)	1,573	1,570	(3)	-0%
Total distribution of electricity	5,811	5,694	(118)	-2%

In Q1 2020, the volume of electricity distribution was 5,694 GWh. Slight volume decreases were observed in groups A, B and C. The reasons for the decline in volumes include lower consumption by a large customer, who in Q1 2019 consumed energy from the grid due to a failure of his own power unit, reduction in consumption due to rising electricity prices, as well as the COVID-19 outbreak which started in March 2020.

Table 9: SAIDI and SAIFI indicators

	SAIDI			SAIFI		
	Unplanned incl. catastrophic	Planned	Total	Unplanned incl. catastrophic	Planned	Total
	Minutes per customer in the period			Disruptions per customer in the period		
Q1 2019	27.9	6.3	34.2	0.5	0.0	0.6
Q1 2020	34.1	4.9	39.0	0.5	0.0	0.5
Change	6.2	(1.4)	4.8	(0.0)	(0.0)	(0.1)
Change (%)	22%	-23%	14%	-9%	-24%	-10%

In Q1 2020, Energa Operator achieved SAIDI and SAIFI ratios of 39.0 minutes/customer and 0.5 disruption/customer, i.e. at similar levels as last year, with unplanned disruptions significantly limited.

4.1.2. Financial performance

Figure 6: Performance of the Distribution Business Line of the Energa Group (PLN m)

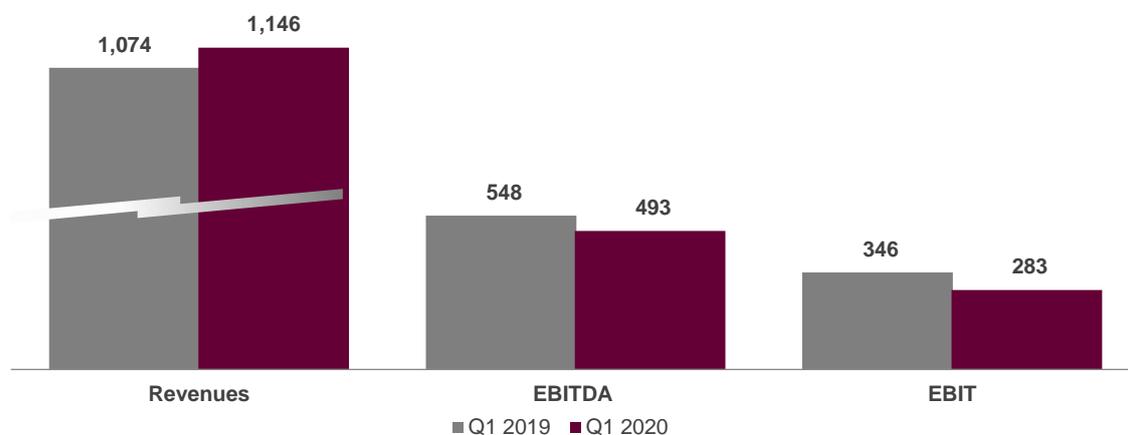
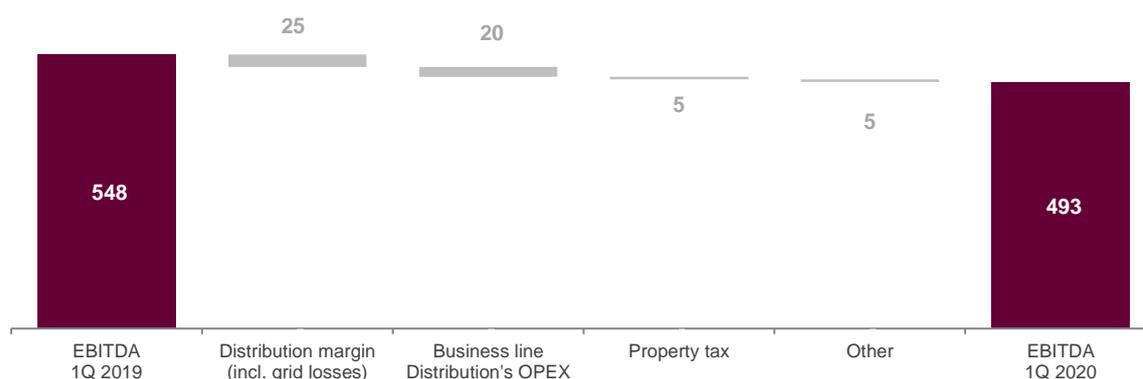


Table 10: Performance of the Distribution Business Line (PLN m)

PLN m	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	1,074	1,146	72	7%
EBITDA	548	493	(55)	-10%
amortization and depreciation	202	210	8	4%
impairment losses on non-financial non-current assets	-	-	-	0%
EBIT	346	283	(63)	-18%
Net result	252	188	(64)	-25%
CAPEX	334	266	(68)	-20%

Figure 7: EBITDA bridge of the Distribution Business Line (PLN m)



In Q1 2020, the Distribution Business Line generated 87% of EBITDA for the Energa Group (99% in the corresponding period of last year).

The EBITDA of this Line was PLN 493 m compared to PLN 548 m in Q1 2019, and EBIT reached PLN 283 m (i.e. down by PLN 63 m YoY). The operating profit was significantly affected by a decrease of PLN 25 m in the distribution margin (taking into account grid losses). This was primarily the effect of

an unfavourable valuation of the estimated unbilled grid losses. On the other hand, the distribution margin before grid losses improved YoY. OPEX of this Line was higher by PLN 20 m YoY. Staff costs increased as a result of pressure on wages, resulting from e.g. an increase in the minimum wage with the simultaneous need to take actions to bridge the competence and generation gap. Due to the increase in the minimum wage, an increase was also noted in the cost of some external services, including costs of renovation and collection services.

The balance of other operating activities was lower by PLN 5 million YoY, which was mainly due to a higher balance of compensation and costs due to random events caused by storms.

In Q1 2020, the Distribution Business line reported net profit of PLN 188 m vs. PLN 252 m Q1 2019, with the decline being caused by the same factors as in the case of operating profit.

In turn, in Q1 2020, sales revenues increased by 7% compared to the same period of the previous year, despite a lower volumes of energy distribution due as the average price of distribution services increased by 8%. Such a large increase in the price YoY is related, among others, to the fact that in Q1 2019 the 2018 tariff was still in force (due to the delayed approval of the new tariff). In addition, the structure of sales in tariff groups changed, where the increase was recorded in high-margin tariffs.

4.2. Generation Business Line

4.2.1. Key operating data

Table 11: Gross electricity production in the Energa Group (GWh)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Power plants – coal-fired	515	289	(226)	-44%
Power plants - biomass co-fired	-	53	53	-
CHP plants - coal-fired	42	36	(6)	-13%
CHP plants - biomass-fired	40	17	(23)	-58%
Power plants – hydro	256	209	(47)	-18%
Pumped storage plant	14	21	7	47%
Power plants – wind	159	175	17	10%
Power plants - photovoltaics	1	1	0	4%
Total production of electricity	1,025	801	(225)	-22%
<i>including from RES</i>	<i>455</i>	<i>455</i>	<i>(0)</i>	<i>-0%</i>

In Q1 2020, the generating assets in the Energa Group produced 0.8 TWh of electricity vs. 1.0 TWh in the same period last year (down by 22%). This trend concerned mainly the Ostrołęka Power Plant, hydro power plants and CHP plants (Elbląg).

The level of production at the Ostrołęka power plant resulted from the must-run production for the Transmission System Operator in Poland and the availability of these units. Energy production in hydro sources is the effect of hydrological conditions, while the level of production in wind sources was caused by the prevailing weather conditions. Energy production in the Group's CHP plants was related to the heat production, which was mainly dependent on the heat demand from the Group's local consumers. The 2019 base was additionally increased by the need for cogeneration sources to achieve a stated production volume under the grant agreement (this effect was not observed in 2020).

Table 12: Heat production (TJ)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
ENERGA Kogeneracja Sp. z o.o.	888	811	(77)	-9%
ENERGA Elektrownie Ostrołęka S.A.	465	429	(36)	-8%
Ciepło Kaliskie Sp. z o.o.	129	123	(6)	-5%
Total gross heat production	1,483	1,364	(119)	-8%

In Q1 2020, the Group produced heat energy of 1,364 TJ (down by 8% compared to Q1 2019), which was influenced by, e.g. the ambient temperature shaping the demand for heat from the Group's local consumers in the cities of Ostrołęka, Elbląg and Kalisz.

Table 13: Volume and cost* of consumption of key fuels

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Hard coal				
Quantity (ths of tons)	280	181	(99)	-35%
Cost (PLN m)	81	57	(24)	-30%
Biomass				
Quantity (ths of tons)	32	48	16	52%
Cost (PLN m)	18	25	6	34%
Total fuel consumption (PLN m)	99	82	(17)	-18%

* including the cost of transport

In Q1 2020, the Group's generators consumed less hard coal (down by 99 thousand tons) and more biomass (up by 16 thousand tons) compared to the same period of the previous year. The increase in the production from biomass resulted from the start of biomass co-firing at the Ostrołęka Power Plant. The lower coal consumption is an effect of lower electricity production, mainly by the Ostrołęka Power Plant.

At the same time, higher unit costs of coal consumption and lower unit costs of biomass consumption were reported.

4.2.2. Financial performance

Figure 8: Results of the Generation Business Line of the Energa Group (PLN m)

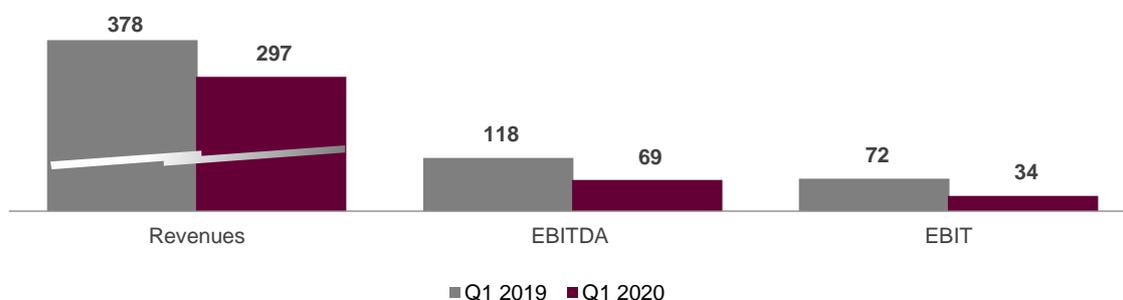


Table 14: Results of the Generation Business Line of the Energa Group (PLN m)

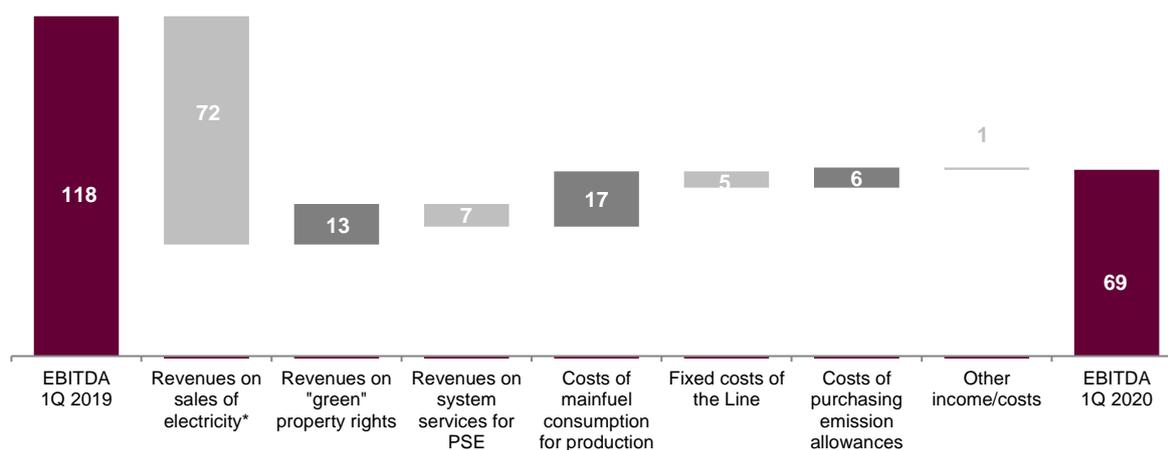
	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	378	297	(81)	-21%
EBITDA	118	69	(49)	-42%
amortization and depreciation	46	38	(8)	-17%
impairment losses on non-financial non-current assets	-	(3)	(3)	0%
EBIT	72	34	(38)	-53%
Net result	47	10	(37)	-79%
CAPEX	22	52	30	> 100%

The following table presents EBITDA breakdown of the Generation Business Line into individual Generation Segments. The statement presents unit data with the surcharge of Line management costs, elimination of mutual transactions among business segments and consolidation adjustments.

Table 15: EBITDA of the Generation Business Line by Division (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Water	48	37	(11)	-23%
Wind	41	41	1	2%
Ostrołęka power plant	24	(12)	(36)	< -100%
Other and adjustments	4	2	(3)	-60%
Generation total	118	69	(49)	-41%

Figure 9: EBITDA bridge of the Generation Business Line (PLN m)



* includes net electricity trading (revenue less cost)

In Q1 2020, the share of the Generation Business Line in the total Group EBITDA was 12% (compared to the share of 21% in Q1 2019).

The lower EBITDA of the Line (down by PLN 49 m YoY) was mainly due to lower revenues from the sale of electricity, lower revenues from system services provided to PSE and higher fixed costs of this

Line. The negative impact of these factors was only partially offset by higher revenues from the sale of green property rights and a lower cost of consumption of key production fuels, and a lower cost of purchasing emission allowances.

Lower revenues from the sale of electricity in Q1 2020 compared to the same period of the previous year was mainly due to lower production volumes at the Ostrołęka Power Plant and hydro power plants. The effect of the above factors were additionally increased by the reduced prices of energy.

The higher fixed costs of the Line resulted from e.g. higher staff costs in this period.

The lower cost of purchasing CO₂ emission allowances is mainly due to the lower production level. 2020 is the first year in which the Group did not obtain a free pool of emission allowances from electricity production.

The increase in revenues from the sale of green property rights was driven by their higher market prices and the launch of production from the co-firing of biomass at the Ostrołęka Power Plant.

On the other hand, the decrease in revenues from system services provided to PSE was primarily caused by lower revenues from the Operating Reserve at the Ostrołęka Power Plant due to the lower volume reported to the reserve, and lower market prices for this product.

In Q1 2020, the Line's capital expenditures increased by PLN 30 m YoY, and were mainly related to the adaptation to environmental requirements (modernization investments at the Ostrołęka B Power Plant).

Hydro

Table 16: Performance of the Hydro Power Division (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	73	64	(9)	-13%
EBITDA	48	37	(11)	-23%
EBIT	40	29	(12)	-29%
CAPEX	2	2	(0)	-4%

Wind

Table 17: Performance of the Wind Power Division (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	50	51	0	0%
EBITDA	41	41	1	2%
EBIT	27	27	(0)	-1%
CAPEX	0	3	3	> 100%

Ostrołęka Power Plant

Table 18: Performance of the Ostrołęka Power Plant Division (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	189	125	(64)	-34%
EBITDA	24	(12)	(36)	< -100%
EBIT	8	(18)	(26)	< -100%
CAPEX	15	45	29	> 100%

Other and Adjustments

Table 19: Performance of the Other and Adjustments Division (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	66	58	(8)	-12%
EBITDA	4	2	(3)	-60%
EBIT	(4)	(3)	1	14%
CAPEX	5	3	(3)	-52%

4.3. Sales Business Line

4.3.1. Key operating data

Table 20: Sales of electricity by the Sales Business Line (GWh)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Retail sales of electricity	4,968	4,922	(46)	-1%
Sales of electricity in the wholesale market, including:	1,623	1,431	(192)	-12%
<i>Sales of energy to the balancing market</i>	317	406	89	28%
<i>Sales of energy to cover grid losses to Energa-Operator</i>	379	-	(379)	-100%
<i>Other wholesale</i>	927	1,025	98	11%
Total sales of electricity	6,590	6,353	(238)	-4%

In Q1 2020, total volume of electricity sold by the Sales Business Line decreased by 4% (i.e. by 0.2 TWh) vs. Q1 2019 due to the lower sales both in the retail and wholesale market.

Sales volume in the retail market decreased by 1% YoY (i.e. by 0.05 TWh). As part of retail sales in the Polish market, a decrease was noted in the volume of sales to business customers coupled with an increase in sales to households. The level and structure of energy consumption in the reporting period was affected by the COVID-19 pandemic (reduced economic activity causing lower energy consumption by business customers, and at the same time an increase in energy consumption by households), and, on a smaller scale, by the warm winter. A noticeable decrease in energy consumption occurred in March 2020 as the state of the epidemic was declared in Poland. As at the end of Q1 2020, the number of end consumers of electricity amounted to 3.1 m, an increase of approx. 47,000 customers YoY. The customer base increased mainly in the G tariff group (households). Retail sales in Slovakia were reduced to a negligible value due to the end of the process of terminating operations in the Slovak retail market.

Energy sales to the wholesale market fell by 12% (i.e. by 0.2 TWh) compared to Q1 2019. It resulted from the lack of a contract for the sale of energy to Energa Operator SA to cover grid losses – in 2020, a seller other than Energa Obrót SA was selected. The increase in energy sales in the balancing market and as part of other sales resulted from the need to resell excess electricity, a consequence of the COVID-19 pandemic and the warm winter (lower energy consumption by end consumers). Such transactions are necessary to balance the position of Energa Obrót SA.

4.3.2. Financial performance

Figure 10: Performance of the Sales Business Line of the Energa Group (PLN m)

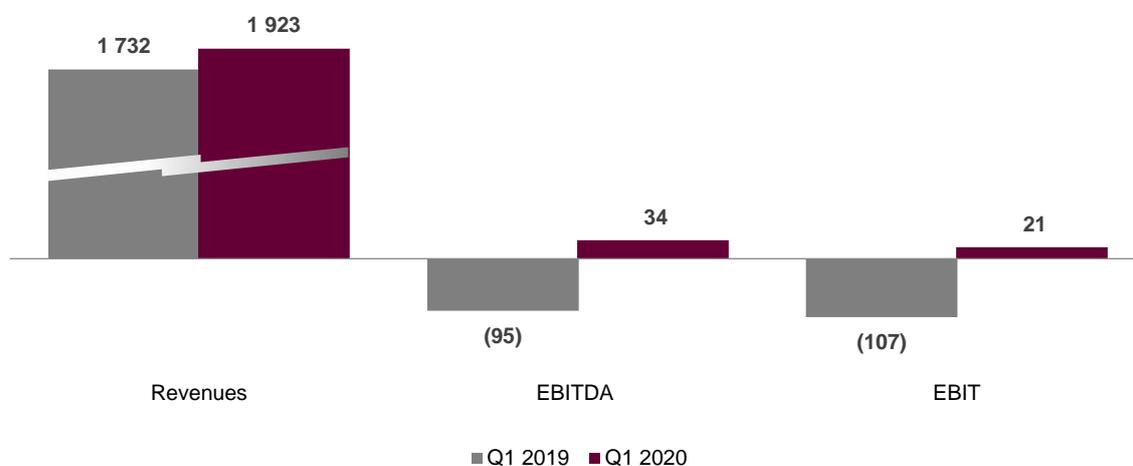
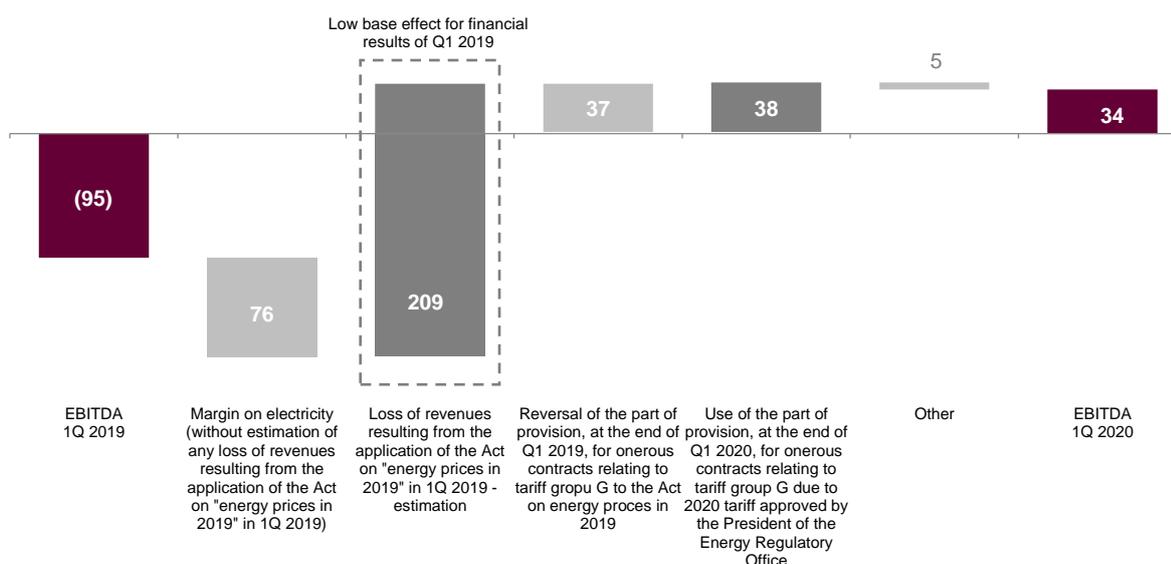


Table 21: Performance of the Sales Business Line of the Energa Group (PLN m)

	Q1 2019	Q1 2020	Change 2020/2019	Change 2020/2019 (%)
Revenues	1,732	1,923	191	11%
EBITDA	(95)	34	129	> 100%
amortization and depreciation	13	13	-	0%
impairment losses on non-financial non-current assets	(1)	-	1	100%
EBIT	(107)	21	128	> 100%
Net result	(88)	10	98	> 100%
CAPEX	9	6	(3)	-33%

Figure 11: EBITDA bridge of the Sales Business Line (PLN m)



In Q1 2020, EBITDA of the Sales Business Line was PLN 34 m, which is 6% of the Group's EBITDA. In the corresponding period of the previous year, EBITDA was PLN -95 m, and as such it did not contribute positively to the Group's EBITDA.

In Q1 2020, the revenues of the Sales Business Line were PLN 1,923 m, up by PLN 191 m compared to Q1 2019. This is mainly due to the low base effect described below.

The high YoY growth of EBITDA of the Business Line was mainly due to the low base effect. The Q1 2019 results (loss of PLN -95 m at the EBITDA level) were affected by the loss of revenues resulting from the application of the Act "on energy prices in 2019". As at the date of preparation of the Q1 2019 Report, no implementing provisions to the Act had been published. Accordingly, there was no detailed information available about how to adjust the sales prices for a significant group of customers. As a result, the Sales Business Line billed a vast majority of customers at reduced prices arising from that Act, incurring higher costs of energy purchase based on market conditions, while not recognizing compensations. The Business Line is estimated to have lost revenue of PLN 209 m on this account in Q1 2019.

In Q1 2020, the electricity sales margin (adjusted for the estimated loss of revenue in Q1 2019) decreased by PLN 76 m YoY, mainly due to the implementation of the household tariff approved by the President of the Energy Regulatory Office (tariff group G) for 2020. The rates approved in the tariff do not transfer costs arising from the implementation of contracts to consumers, so a loss is generated on this group of customers. In Q1 2020, a portion of the specific provision of PLN 38 m (raised at the end of 2019) was used, which significantly cushioned the negative impact of the new tariff on the Business Line's financial results in the reporting period. In addition, the YoY margin decrease was also driven by the COVID-19 pandemic (mainly the need to sell with a loss of excess energy in March 2020) and the lack of contract for the sale of electricity to Energa Operator SA to cover grid losses in 2020.

The YoY change in EBITDA was also affected by another, one-off and non-cash event. In Q1 2019, the Group released a part of the provision of PLN 37 m raised in 2018 for contracts resulting in charges in relation to the G tariff arising from the Act "on energy prices in 2019". No such event was reported this year.



Pumped storage power plant in Żydowo

Regulatory and business environment

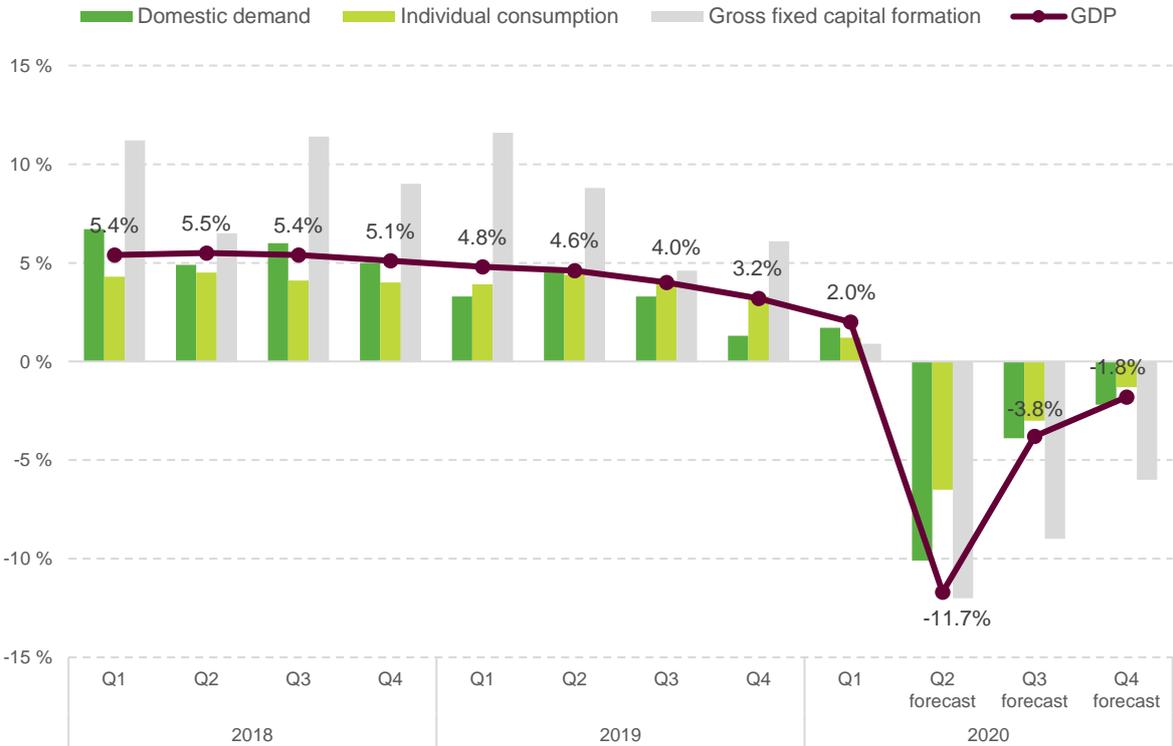
5. REGULATORY AND BUSINESS ENVIRONMENT

5.1. Macroeconomic situation

The key operating market for the Energa Group companies is the domestic market. Therefore, market cycles, expressed by means of the rate of GDP changes, inflation, or unemployment rate, have a bearing on the prices of electricity, heat and gas and development of demand for products supplied to customers. The SARS-CoV-2 (coronavirus) pandemic in Poland and globally and the spread of COVID-19 disease also significantly impact the operations of Energa Group companies as they lead to lower economic activity and a deteriorating situation in the labor market, translating, among others, into a decline in demand for electricity, disturbance in operation of supply chains or payment issues experienced by the Group’s customers (deteriorated collection of receivables).

According to the preliminary estimate of the Central Statistical Office (GUS), GDP in Poland in Q1 2020 was 2% higher, in real terms, in relation to the corresponding period of 2019. A year earlier, GDP growth YoY amounted to 4.8%. The deterioration in the general business climate was prompted, first of all, by the rapidly spreading coronavirus pandemic that led to the introduction of social distancing measures and restrictions on economic activity, which, in turn, was reflected primarily in declining private consumption and capital expenditures. According to the estimates prepared by Santander Bank analysts, the economic slowdown will be reflected even more distinctly in the macroeconomic results for Q2 2020 when a GDP change of more than -10% YoY is estimated, signifying that the Polish economy is entering a recession. The key risk factors are the duration and scope of limitation of economic activity in Poland and other countries, barriers in international trade, the US-China conflict and effectiveness of measures taken to mitigate economic losses.

Figure 12: Annual changes in the GDP, domestic demand, individual consumption and capital expenditures



Source: GUS (the Central Statistical Office) and forecast of Santander Bank Polska SA (May 2020)

Introduction of the state of epidemiological threat in March 2020 and the ensuing limitation of retail trade at some retail outlets had a substantial impact on consumer behavior, volume of purchases made and the retail sales figures. In the period from January to March 2020, YoY sales growth amounted to a mere 0.7%, compared to 4.1% in 2019. In April 2020, retail sales in fixed prices was lower than a year ago by

22.9%. In spite of the anticipated improved results on the enterprises' sales activity in May and June 2020, a substantial drop in household consumption, strongly driven, first of all, by shrinking spending on services, is expected throughout Q2 2020.

In Q1 2020, prices of consumer goods and services grew by 4.5% YoY, i.e. beyond the upper limit of deviations from the inflationary target, driven by regulatory and supply-related factors. GUS data on changes in prices of consumer goods and services in April 2020 indicate that, compared to the corresponding period of the previous year, a 3.4% increase was recorded. According to the communique by the Monetary Policy Council, the expected weakening of global economic activity together with lower prices of raw materials (primarily crude oil) and a weakening of domestic demand will contribute to a substantial slowdown in price growth.

In connection with the epidemiological situation in Poland, a significant deterioration in both current and future consumer confidence was reported. The current consumer confidence index, a synthetic measure of the current trends in individual consumption in Q1 2020 amounted to 2.1 and was 4.2 pp lower in relation to the corresponding period of the previous year, whereas the forward-looking consumer confidence index, a synthetic measure of the trends in individual consumption expected in the coming months, amounted to -1.7 and declined by 5.1 pp year-on-year. The assessment of the country's future economic outlooks was reported to have deteriorated the most among the elements making up the above indices. The forecast of the future unemployment rate also deteriorated considerably. Consumer confidence indices improved as the restrictions on social and economic activity were eased in May 2020. The current consumer confidence index rose by 6.3 pp in relation to that from the preceding month, whereas the forward-looking consumer confidence index grew by 10.4 pp. However, both indices continue to be negative and the negative value of the index signifies a numerical superiority of pessimistically-inclined consumers. For 78.2% of respondents participating in the GUS poll, the current epidemiological situation represents a major risk for the Polish economy.

The growth of marketed production in the initial three months of 2020 was 1% faster compared to the corresponding period of the previous year. However, it amounted to 6.1% YoY in Q1 2019. As far as manufacturing and supply in electricity, gas, steam and hot water are concerned, a slight increase in marketed production of 0.2% was reported in the period from January to March 2020. In April 2020, industrial output collapsed and was 24.6% lower than in April 2019. The YoY decline in production was reported in all major industries. Production of investment goods decreased by 50.9%, that of durable consumer goods by 47.8%, that of procurement goods by 18.2%, that of non-durable consumer goods by 15.1%, whereas production of energy-related goods fell by 10.6%. According to GUS, the most common justification for the falling marketed production were orders shrinking in connection with COVID-19 or changes in working time of employees and downtimes.

In Q1 2020, prices of marketed production grew slightly by 0.2% YoY. Prices in the segment of production and supply of electricity, gas, steam and hot water rose by 3.2% YoY. April saw a 1.3% decline in manufacturers' prices in industry compared to April 2019. The highest price drops were reported in the mining and extraction sector (by 4%), including metal ore mining (by 6.8%) and in hard coal and lignite coal extraction (by 2%).

The slowdown in the Polish manufacturing sector is reflected also in the PMI index (the forward-looking index of the Polish industry), which remained below the 50 point limit in Q1 2020, pointing to the level of economic recovery. In April, PMI index amounted to 31.9 points compared to 42.4 points in March, thus reaching its lowest level on record (since 1998). The April results showed a decrease in production as many enterprises suspended their activity during the quarantine. Record delays were also reported in deliveries and a decline in new orders and orders from foreign customers, which was attributable to social restrictions introduced in Europe and globally in the fight against the coronavirus pandemic. According to IHS Markit data, shrinking order books have forced the Polish entrepreneurs from the manufacturing sector to cut employment and restrict their purchasing activity. According to Bank Millennium analysts, it is worth noting that PMI for Poland is lower than PMI for the eurozone and Germany. Calculation of the index for April, specifically its orders component, suggests that the domestic industry may experience the greatest fall in business activity in decades. Gradual easing of preventive measures and restrictions imposed on business activity shall make a positive contribution to recovery in industry although full recovery may prove difficult in the context of a dramatically shrunk domestic and international demand.

In Q1 2020, the situation in the domestic labour market was good even though the coronavirus pandemic began to reverse the previously observed trends. The average employment in the enterprise sector was higher by 0.8% YoY whereas average (gross) salary grew 7%, reaching PLN 5,489.21 at the end of March. According to GUS, the increase in average monthly gross salary recorded in March was attributable, among other things, to paid quarterly and annual prizes as well as discretionary bonuses that, next to base salary, represent one of salary components. At the end of March 2020, a drop in average employment compared to the preceding month was noticeable in some companies. This was, among other things, the result of employees' departures for retirement, completion of definite-term contracts and failure to extend their duration, which in some cases could be driven by concerns about the consequences of COVID-19 pandemic. Furthermore, the fall in average employment was also prompted by termination of employment contracts or the employees taking unpaid holiday leaves. The forecast further weakening of economic activity in Poland and globally in 2020 will contribute to deterioration of the situation on the labor market, although with a delay. The registered unemployment rate in April 2020 was 5.8%, up by 0.4 pp compared to March. A lasting freeze of economic transactions may cause a downward adjustment of employment and salary levels as well as closure of many businesses. Employment in the enterprise sector fell by 2.1% YoY in April and salary growth slowed down to 1.9% YoY, reaching PLN 5,285.01. In order to prevent a dramatic rise in unemployment, loss of jobs, bankruptcies and plant closures as well as erosion of company revenues, the government has drafted initiatives within the framework of the so-called anti-crisis shield designed to support employers and employees.

In terms of monetary policy, the Monetary Policy Council (the Council, MPC) took the decision to lower the NBP reference rate already three times in 2020 by a total of 1.4 pp, that is down to 0.1%. At the same time, MPC set the following levels of remaining NBP percentage rates: lombard rate at 0.5%, deposit rate at 0%, rediscount rate at 0.11% and discount rate at 0.12%. According to the assumptions, in 2020 NBP is planning, in addition to performing its core operations, to carry out operations of purchase of treasury securities and debt securities, guaranteed by the State Treasury, and to offer credit against promissory notes intended for refinancing loans granted to entrepreneurs by banks. The measures taken by NBP aim to change the long-term liquidity structure in the banking sector, assure liquidity of the secondary market for purchased securities and to strengthen the impact of NBP interest rate reductions on the economy, i.e. the monetary transmission mechanism. The easing of the monetary policy by NBP is also meant to mitigate the negative economic consequences of the pandemic by supporting incomes of households and businesses and to contribute to the strengthening of stability of the financial system through a positive impact on the financial standing of borrowers.

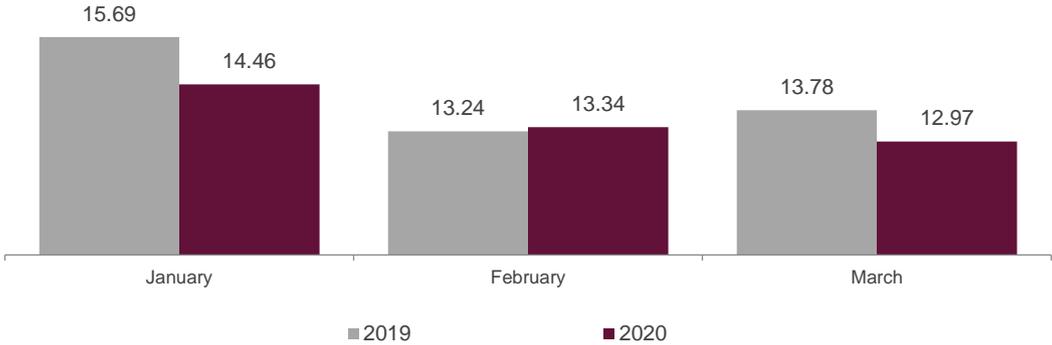
5.2. Electricity market in Poland

Developments in the market environment are of key importance for the financial performance of the Group. In this light, attention is particularly drawn to the production and consumption of electricity, the cross-border power exchange in Poland, prices of electricity in Poland and selected neighbouring countries, prices of property rights, fee for the operating power reserve and costs of emission allowances.

Domestic production and consumption of electricity

According to data published by Polskie Sieci Elektroenergetyczne ("PSE"), in Q1 2020 production of electricity in Poland totalled 40.76 TWh and was 1.95 TWh, or 4.6%, lower compared to the corresponding period of the previous year (42.71 TWh). Decreased production compared to the preceding year was visible in lignite- and coal-fired power plants which were being driven out of the National Power System mainly by wind farms, which benefited from good weather conditions (wind energy generation in February 2020 reported at a highest level on record), as well as by generation from gas sources.

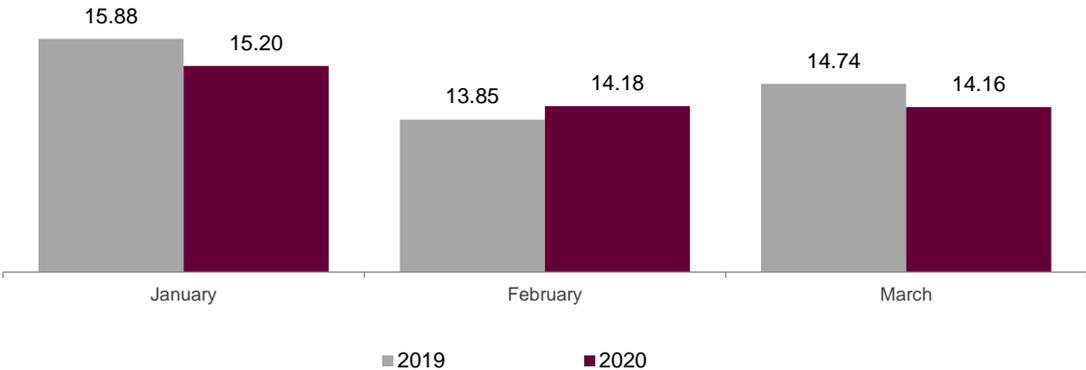
Figure 13: Production of electricity in Poland in Q1 2020 (TWh)



Source: PSE

In Q1 2020, domestic consumption of electricity in Poland was at 43.53 TWh and was lower by 0.93 TWh, or 2.1%, than in the corresponding period of the previous year (44.46 TWh). The decline in production was attributed to lower demand triggered by the economic slowdown, increased imports and restrictions associated with COVID-19 pandemic.

Figure 14: Consumption of electricity in Poland in Q1 2020 (TWh)

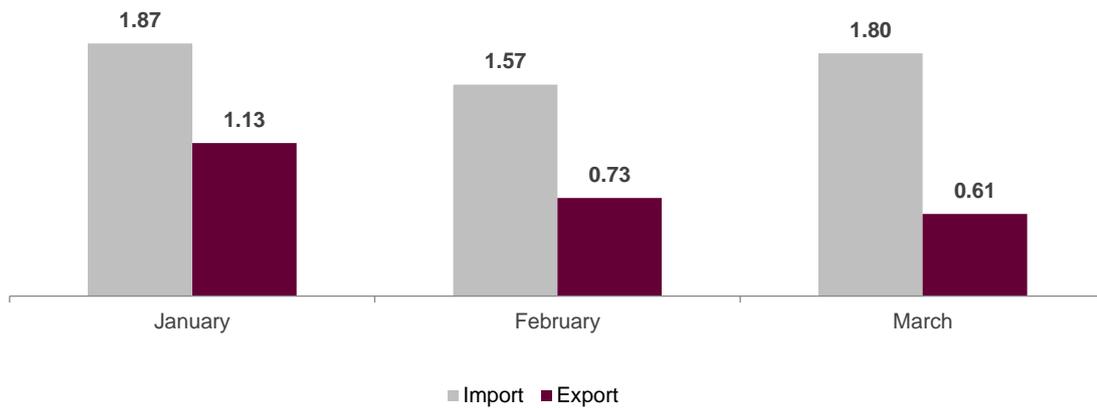


Source: PSE

Poland’s cross-border power exchange

In Q1 2020, export of electricity was 0.28 TWh higher than in the same period last year. When comparing the two corresponding periods, a growth in electricity imports by 1.30 TWh can be observed, being the main reason for the 2.77 TWh surplus of net electricity imports in the period under review over net imports of 1.75 TWh in the corresponding period of the previous year. This is attributable to the increased consumption of electricity in parallel exchange. It is worthwhile to recall the overhaul of the Poland-Sweden interconnector from 26 January to 13 February, which evidently contributed to a decreased cross-border power exchange capacity.

Figure 15: Monthly volumes of cross-border exchange in Poland in Q1 2020 (TWh)

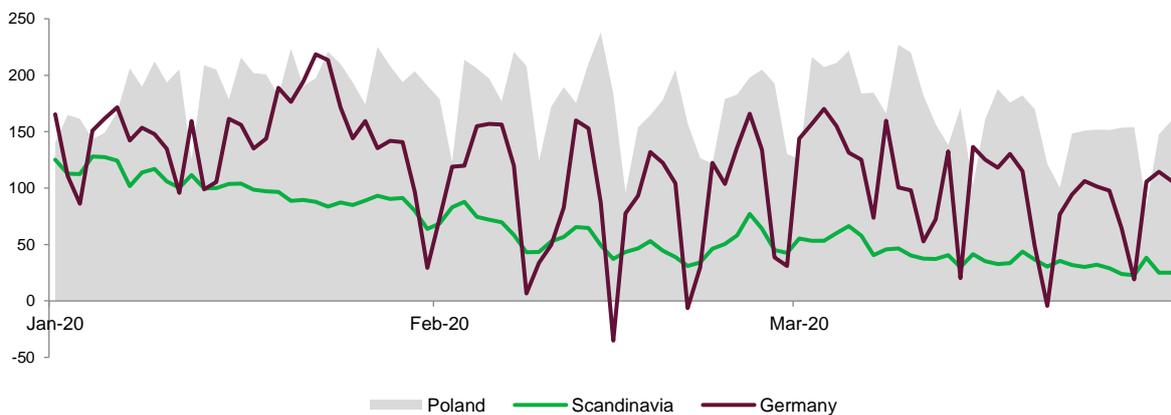


Source: PSE

Energy prices in selected countries neighbouring with Poland

In order to compare prices of energy in Poland to prices in selected neighbouring countries, prices in the SPOT market were used as a reference product. The average prices in Poland in Q1 2020 were higher than in the neighbouring countries. Declining demand for power along with high temperatures and high wind power generation, as well as the decelerated growth of EUA prices and their significant decline in the third decade of the quarter combined with a decrease in coal prices on global markets led to a fall in prices on the Polish and neighbouring markets, despite increased system losses. The greatest price differences were found in the Scandinavian market (+172.5%, or PLN 112.28/MWh), with slightly smaller differences were identified in comparison to the German market prices (+55.8%, or PLN 63.53/MWh).

Figure 16: Prices of energy in the SPOT market in Poland and in selected neighbouring countries in Q1 2020 (Price (PLN/MWh))

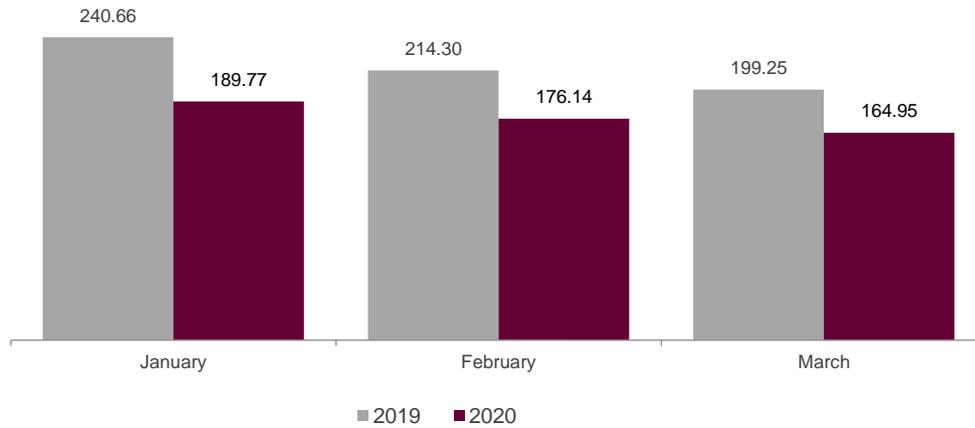


Source: Bloomberg, Reuters

Day-Ahead Market of electricity in Poland

In Q1 2020, the IRDN24 index averaged PLN 176.97/MWh, and was lower by PLN 41.23/MWh than in the corresponding period of the previous year (PLN 218.20/MWh). When comparing Q1 2020 to Q4 2019, a drop in the price by PLN 34.66/MWh can be seen. A decrease in domestic demand for power, due to the exacerbating economic slowdown, was coupled with high wind power generation and rising energy imports, which consequently resulted in a year-on-year decrease in prices.

Figure 17: IRDN 24 index in Q1 2020 (PLN/MWh)



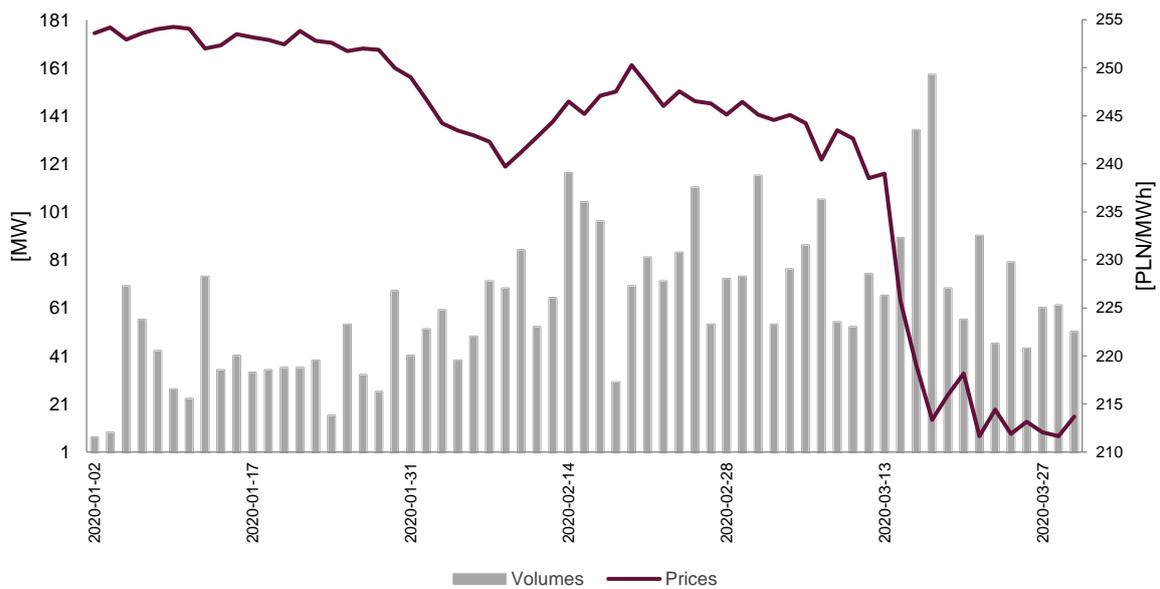
Source: TGE

Electricity futures market in Poland

In Q1 2020, the electricity futures market was in a downward trend. The lowest price of PLN 211.65/MWh was quoted on 30 March this year. The main drivers of declining prices in Q1 2020 in the electricity futures market were as follows:

- a fall in CO₂ emission allowance prices,
- a distinct increase in windiness,
- a decrease in SPOT market prices,
- lower demand for electricity in the National Power System prompted by the economic slowdown and restrictions introduced in connection with COVID-19 pandemic.

Figure 18: Forward contract price, BASE with delivery for 2021 in Q1 2020

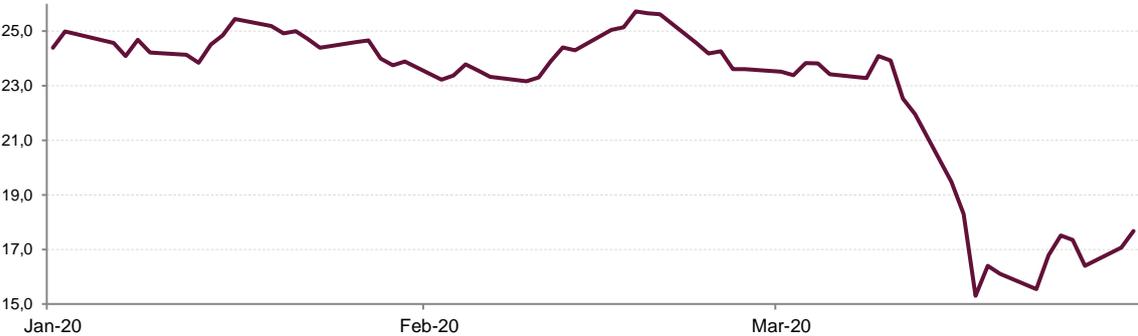


Source: TGE

Emission allowance market

On 15 May 2019, the European Commission published data on the number of allowances in circulation as at the end of 2018 (just over 1.654 billion), which is the basis for defining the Market Stability Reserve (MSR) of the EU Emissions Trading System (EU ETS), a mechanism launched in January 2019. Therefore, the volume of auctions between September 2019 and August 2020 will be reduced by slightly over 397 million allowances, which account for 24% of all allowances in circulation that will be transferred to the MSR. Over the initial 5 years of the functioning of the MSR, the number of allowances is to be reduced annually by 24% of the total number of allowances in the auction pool. On 8 May 2020, the European Commission informed that there were over 1.385 billion emission allowances in circulation at the end of 2019. Therefore, the volume of auctions between September 2020 and August 2020 will be reduced by over 332 million allowances. On 21 February, a public announcement was made, after a long wait, that the British auctions would resume starting from 4 March. Their volume, spread over the entire year, was also announced. Until August, every other Wednesday (alternating with the Polish auctions) the offered volume will amount to EUA 5.7 million (the highest figure among the auction offered volumes, with the Polish auctions being the highest to date at EUA 5.3 million). In August, similarly to the remaining auctions, that volume would be reduced by half. Meanwhile, starting from September the volume was preliminarily estimated at EUA 6.8 million. However, it would be reduced by the MSR. The United Kingdom is planning to launch its own system for trading in CO₂ emission allowances. It is to be presented at COP26 summit hosted by the UK in November. However, as it seems, the price of EUAs in the first quarter of 2020 was mainly driven by lower demand. Increased temperatures, very high wind power generation in Europe and restrictions imposed in connection with the COVID-19 pandemic contributed to a decrease in the consumption of fossil fuels, which translated into a lower demand for emission allowances. As a result, at the end of Q1 2020, the price of EUAs was EUR 17.68 per tonne, falling by 29% since the end of 2019.

Figure 19: EUA prices in Q1 2020 (Euro/ton)



Source: Bloomberg

Market for property rights

The table below presents the prices of green property rights listed on the Polish Power Exchange.

Table 22: Average price levels of green property rights listed on the Polish Power Exchange

Certificate type	Value		Percentage Obligation (%)	Substitution fee (PLN)
	Q1 2019 (PLN/MWh)	Q1 2020 (PLN/MWh)		
OZEX_A (green)	117.67	146.62	19.5*	300.03*

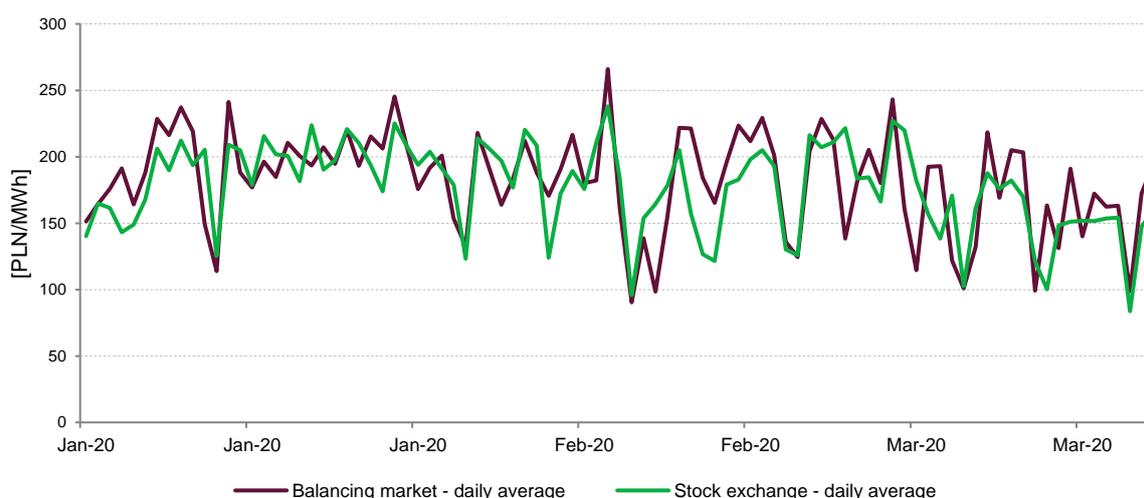
* value of the substitution fee and redemption obligation for 2020

From the perspective of the Energa Group's generation structure (high share of renewable production), the prices of green property rights are of key importance. Prices of RES property prices in session transactions remained in the vicinity of PLN 150.00/MWh in the initial two months of the quarter. However, similarly to other energy product markets, the prices in the market for green property rights also declined in March. As a consequence, at the end of Q1 2020, RES property rights were quoted at PLN 136.87/MWh.

Balancing market

Since 1 January 2019, the limits for electricity clearing prices on the balancing market changed and currently range from PLN -50,000.00/MWh to PLN +50,000.00/MWh. For the most of Q1 2019, the prices in the balancing market were similar to the day-ahead market prices. Lower demand for power, increased windiness and greater volume of cross-border exchange were the major contributing factors to maintenance of low prices on the balancing market in Q1 2020. The average price on the balancing market in the period under review was PLN 181.84/MWh, compared to PLN 219.34/MWh in the corresponding period of the previous year.

Figure 20: Comparison of prices on the balancing market and SPOT market (exchange) in Q1 2020

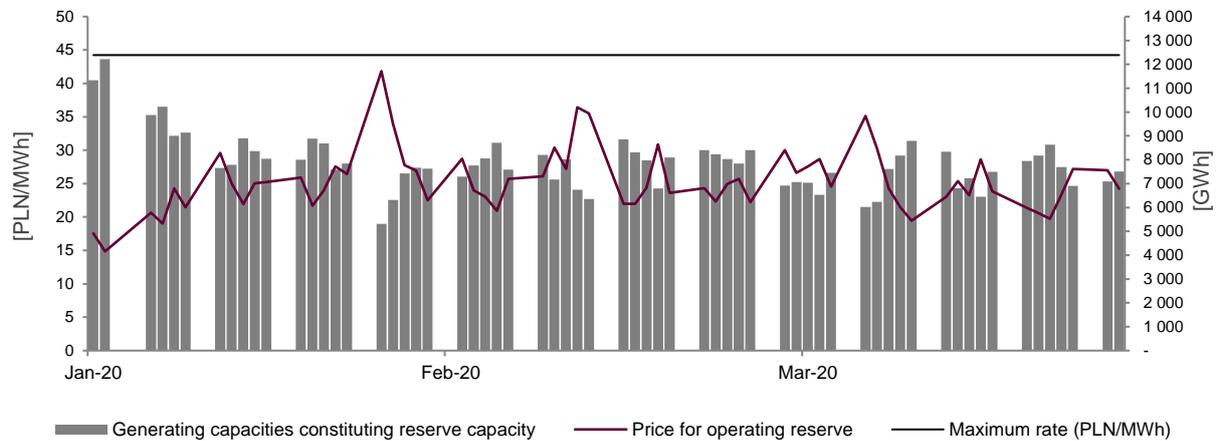


Source: TGE, PSE

Operating reserve

The operating power reserve service continues to be provided in 2020. The reference price was raised to PLN 44.24/MWh. In Q1 2020, the average operating power reserve fee was PLN 25.38/MWh and was lower by PLN 5.29/MWh compared to the same period of the previous year (PLN 30.67/MWh).

Figure 21: Prices and production capacity constituting operating power reserve in Q1 2020



Source: PSE

5.3. Regulatory environment

Legislative processes completed in Q1 2020

1. Act of 2 March 2020 on special arrangements associated with preventing, counteracting and combating CoVID-19, other contagious diseases and the crisis situations they cause (Journal of Laws of 2020 item 374), the so-called Shield 1.0.
2. Act of 31 March 2020 amending the Act on special arrangements associated with preventing, counteracting and combating COVID-19, other contagious diseases and the crisis situations they cause and certain other acts (Journal of Laws of 2020 item 568), the so-called Shield 2.0.

The amendments introduced in both of the aforesaid acts relate, among other things, to:

- ✓ Postponing technical tests by 6 months on the condition that no changes were made to the device and that, in the operator's opinion, such postponement does not pose risk to human health, life, property or the environment.
- ✓ Postponing legalisation of meters by 6 months on the condition that no changes were made to the device and that, in the operator's opinion, the device complies with the requirements, specifically with respect to metrological characteristics, and such postponement does not compromise accuracy of measurements or pose risk to human health, life, property or the environment.
- ✓ The ERO President may, on a one-time basis, on the investor's motion, extend the deadline for commencing supply of electricity from RES installation that won the auction by a maximum of 12 months.
- ✓ The deadline was extended for local government units to agree with DSOs plans of development of electric car charging networks. The deadline for consultations was extended up to 45 days. However, consultations cannot last beyond 31 May 2020.

Legislative processes pending in Q1 2020

Table 23: List of legal acts materially affecting the Group

Legal act	Purpose of legal changes	Opportunities	Threats/issues
The draft act on compensations on account of electricity price growth in 2020 (UD64).	Launch of a new system of compensations for some end users of electricity prompted by price growth in settlements with such customers in 2020. The draft act aims to establish the legal framework enabling the granting, payment and financing of compensations to some end users of electricity consuming electricity within their households, which signifies a reduction of electricity costs for those households.	<ol style="list-style-type: none"> (1) The system is scheduled for launch in 2021, which will enable proper preparation for the application of the provisions of the act. (2) Launch of a system dedicated to households. (3) Mitigating risk of prohibited state aid. (4) A system of price reductions based on tax administration data. (5) Introduction of fixed amounts of subsidies on account of electricity price growth in 2020 dependent upon energy consumption levels. 	<ol style="list-style-type: none"> (1) No funding for the operation of the compensation system. (2) Substantial amount of time needed for processing applications filed by eligible entities.
Draft act to amend the Energy Law and certain other acts (UC17).	A number of amendments to the existing regulations, among other things, ban on sales outside of corporate premises.	Establishment of a timeframe for introducing the Advanced Metering Infrastructure (AMI).	Ban on door-to-door sales. Obligation for DSOs to possess a separate trademark.
<ol style="list-style-type: none"> (1) Regulation of the Council of Ministers of 31 December 2019 on the maximum volume and value of electricity from renewable energy sources that may be sold at an auction in 2020. (2) Draft regulation of the Minister of State Assets of 27 February 2020 on the reference price of electricity from renewable energy sources in 2020 and periods applicable to manufacturers who won auctions in 2020. 	<ol style="list-style-type: none"> (1) Enforcement of the statutory obligation derived from the Act on renewable energy sources concerning the volume of energy that may be sold at RES auctions in any given year. (2) Enforcement of the statutory obligation derived from the Act on renewable energy sources concerning the setting of the maximum price at which energy generated from RES may be sold at auctions in any given year. 	<p>Collectively for the said regulations:</p> <ol style="list-style-type: none"> (1) Possibility to complete the portfolio of investment projects involving RES. (2) Continued support for development of photovoltaic power plants and on-shore wind farms. (3) Taking on board the lessons learned from previous RES auctions. 	Risk of lack of interest in offered volume of niche RES technologies, namely biogas and biomass.
Draft act on promotion of generation of electricity at offshore wind farms (UD34)	Granting of support to and introduction of incentives for construction of offshore wind farms.	<ol style="list-style-type: none"> (1) Introduction of administrative fast-track procedure for construction of offshore wind farms in the future. (2) Possibility to pursue a research and development project devoted to offshore wind turbines. 	None
Implementation and principles of operation of Just Transition Fund (JTF).	The European Commission approved the proposal concerning the just transition mechanism. The mechanism is to comprise a number of elements, including but not limited to, low-interest loans from Invest EU scheme and the European Investment Bank (EIB). Just Transition Fund, estimated at EUR 7.5 billion	Potential opportunity for additional funding for the energy sector.	None

	over seven years, is completely new funding made available under the mechanism.		
Draft of 4 March 2020 of Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulation (EU) 2018/1999 (European Climate Law) (COM (2020) 80 final 2020/0036 (COD)).	The draft Regulation is part of the road plan for implementation of the European Green Deal. The draft aims to complement the existing political framework by establishing long-term directions for action and incorporating the target of climate neutrality by 2050 in the EU law. The assumption that EU is to become "the first climate neutral continent" by 2050 will require achieving zero net greenhouse gas emissions.	Opportunities for implementing RES installations, innovative measures and energy efficiency on a broader basis.	Risk of introduction of further restrictions on energy based on fossil fuels.
Draft implementing regulation of the European Commission as regards the operation of the Modernisation Fund of 14 February 2020, i.e. Directive 2003/87/EC.	The draft implementing regulation of the European Commission contains the details of and rules associated with the operation and funding of projects under the Modernisation Fund.	(1) The member states select the investment projects they intend to submit for support under the Modernisation Fund and present them by 30 November each year. (2) Opportunity for faster completion of RES investment projects and initiatives in power industry, transportation and energy efficiency. EIB transfers funds to member states being the beneficiaries within 30 days, consistently with the disbursement decision.	Risk of marginalisation of power generation based on hydrocarbon fuel sources, loss of jobs and high electricity prices.



Hydro power plant Owidz, on the Wierzyca river

Shares and shareholding structure

6. SHARES AND SHAREHOLDING STRUCTURE

6.1. Energa's shareholding structure

Energa SA shares have been listed on the Warsaw Stock Exchange (WSE) since 2013. From the Company's inception, i.e. from the year 2006, until 29 April 2020, the State Treasury has been the Company's strategic shareholder holding a 51.5% share in the Company's share capital, or 64.1% of votes in the General Meeting as at 31 March 2020.

Table 24: Energa shares by series and type as at 31 March 2020

Series	Type of shares	Shares	(%)	Votes	(%)
AA	ordinary bearer shares	269,139,114	65.00	269,139,114	48.15
BB	preferred registered*	144,928,000	35.00	289,856,000	51.85
Total		414,067,114	100.00	558,995,114	100.00

* One preferred share entitles to two votes at the General Meeting. The owner of the shares was the State Treasury.

Table 25: Shareholding structure of Energa as at 31 March 2020

Shareholder name	Company shareholding structure			
	Shares	(%)	Votes	(%)
State Treasury*	213,326,317	51.52	358,254,317	64.09
Other	200,740,797	48.48	200,740,797	35.91
Total	414,067,114	100.00	558,995,114	100.00

* The State Treasury held 144,928,000 registered series BB shares, with preference as to voting rights at the General Meeting, where one preferred share entitles to 2 votes at the General Meeting.

On 5 December 2019, PKN ORLEN announced a tender offer for all shares issued by Energa SA, entitling to the total of 100% votes in the General Meeting (detailed information is presented in the chapter 2.2. *Key events in 2019 and after the balance sheet date* of this document).

On 24 April 2020 PKN ORLEN, as a result of settlement of the purchase of shares covered by subscriptions made during the first 70 days of accepting subscriptions (i.e. until 9 April 2020 inclusive) as part of the tender offer, it increased its share in the Company's share capital and in the total number of votes in the Company to ca. 8.1% and ca. 6.0%, respectively.

On 30 April 2020 PKN ORLEN, as a result of settlement of the purchase of shares covered by subscriptions made from 10 April 2020 until 22 April 2020 inclusive as part of the tender offer, it increased its share in the Company's share capital and in the total number of votes in the Company to ca. 80.1% and ca. 85.2%, respectively.

Table 26: Shareholding structure of Energa as at the date of this Report

Shareholder name	Company shareholding structure			
	Shares	(%)	Votes	(%)
PKN ORLEN	331,313,082	80.01	476,241,082	85.20
Other	82,754,032	19.99	82,754,032	14.80
TOTAL	414,067,114	100.00	558,995,114	100.00

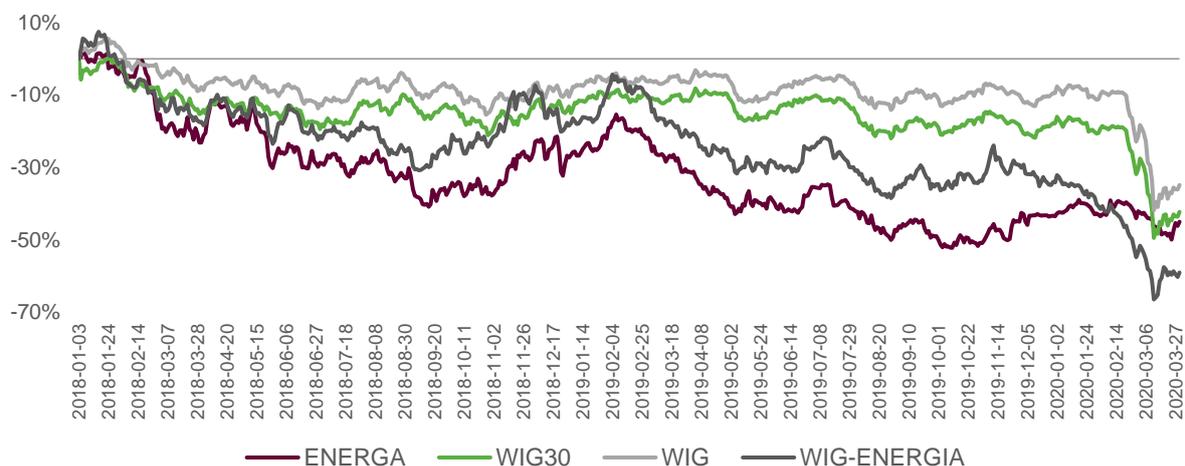
6.2. Prices of the Company's shares and recommendations awarded

Table 27: Data on Energa stock as at 31 March 2020

Data	Value
Issue price	PLN 17.00
Number of shares	414,067,114
Stock price at the end of the period	PLN 6.90
Capitalisation at the end of the period	PLN 2.90 billion
3 months of the year minimum	PLN 5.90
3 months of the year maximum	PLN 7.79
3 months of the year average trading value	PLN 4.48 m
3 months of the year average trading volume	634.2 ths
3 months of the year average number of trades	0.58 ths

Source: Proprietary material based on data from www.infostrefa.com

Figure 22: Changes in Energa SA stock prices in comparison with changes in WIG, WIG30 and WIG-ENERGIA indices



Source: Proprietary material based on data from www.infostrefa.com

The closing price of Energa's shares on the last trading day (i.e. 31 March 2020) stood at PLN 6.90, which represents a decline by 3% compared with the last trading day in 2019 (i.e. 30 December 2019).

The price of the Company's shares was subject to fluctuations, which was related to the tender offer for all shares issued by Energa SA, entitling to the total of 100% votes in the General Meeting (by PKN ORLEN) and the start of subscriptions on 31 January 2020. In Q1 2020 WIG-ENERGIA index dropped by approx. 39% (while WIG30 decreased by approx. 31%).

In Q1 2020, one recommendation from brokerage houses was awarded to the Company – “Hold” by Societe Generale. A list of recommendations can be found on the Company’s Investor Relations website at <https://ir.energa.pl/en/ir/investor-relations-web-site/Financial-results/Recommendations>.

6.3. Ratings

On 29 May 2020 Fitch Ratings downgraded the Company’s long-term foreign and local currency Issuer Default Ratings (IDRs) from 'BBB' to 'BBB-' with a Stable Outlook, rating for the bonds issued by the Company's subsidiary Energa Finance AB (publ) to 'BBB-', and rating for Energa SA’s hybrid bonds to 'BB'. At the same time, the Company’s rating was removed from the Rating Watch Negative list, about the placement on which the Company informed in Current Report No. 34/2019 of 10 December 2019.

The main reason for the downgrade as provided by the Agency is the acquisition of the Company - effective from 30 April 2020, PKN ORLEN acquired 80.01% of shares in the share capital of Energa SA and 85.20% of the total number of votes in the Company. Therefore, in Fitch's opinion, actions resulting in operational and strategic integration with PKN ORLEN will take place, which implies the need to bring the rating in line with the rating of PKN ORLEN ('BBB-'). The Agency emphasized the fact that Energa SA’s standalone credit profile continues to be assessed at 'bbb', thanks to, among others, the stability of the Distribution Business Line, with low risks, a high share in the Group's EBITDA, and predictability of cash flows. Fitch also welcomes the proposal to halt the Ostrołęka C project in the coal formula and to consider a switch to the gas formula.

6.4. Changes to shares held by executive and supervisory personnel

As at 31 March 2020 and as the date of publication of the interim report for the Q1 2020, no member of Energa SA’s Supervisory Board and no member of Energa SA’s Management Board held any Company shares, Company share options or any shares in the Company’s related parties.



Hydro power plant Łyna

Other information on the Group

7. OTHER INFORMATION ON THE GROUP

7.1. Information on material contracts and agreements

Agreements for loans and borrowings and the domestic bond issue programme

Details on agreements for loans and borrowings and the domestic bond issue programme are presented, inter alia, in Note 16, *Financial Instruments*, to the condensed interim consolidated financial statements for the three months ended 31 March 2020.

Guarantees and sureties granted

As at 31 March 2020, sureties extended by Energa SA to cover the liabilities of the Group companies totalled PLN 5,830 m and included:

- surety for liabilities of Energa Finance AB (publ) under Eurobond issue for PLN 5,690.4 m (the guarantee applies effectively only to the issue of Eurobonds carried out in 2017 in the amount of EUR 300 m, the issue from 2013 in the amount of EUR 500 m also covered by this guarantee was purchased in March 2020),
- sureties for liabilities of the Energa Group companies arising from bank guarantees granted by PKO Bank Polski SA under guarantee facilities dedicated to Energa Group companies in the total amount of PLN 57.4 m,
- other sureties for liabilities of the Energa Group companies towards other creditors, including: The State Treasury, the National Fund for Environmental Protection and Water Management (NFOŚiGW) and the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW), in the total amount of PLN 82.2m.

Information on material transactions with related parties made on non-arm's length terms

All transactions within the Energa Group are made based on market prices of goods, products or services delivered resulting from their manufacturing costs.

Information on transactions with related entities is presented in Note 18 to the condensed interim consolidated financial statements for the three months ended 31 March 2020.

7.2. Risk Management

The Energa Group classifies risks into four categories:

- 1) strategic risks – risks involved in the delivery of strategic objectives, including the planning and completion of investment projects or execution of corporate governance;
- 2) legal and regulatory risks – risks concerning compliance with binding laws and regulations;
- 3) operational risks – risks involved in the delivery of operational objectives, including infrastructure, processes or resources;
- 4) financial risks – risks involved in finance management.

A detailed description of the risks involved in the business operations of the Company is presented in the Management Report on performance of the Energa Capital Group and of Energa SA in 2019. In the opinion of the Management Board, the risks identified therein are still present.

7.3. Proceedings pending before courts, arbitration or public administration bodies

As at 31 March 2020, the Energa Group was a party to 14,209 court proceedings. The Group was a plaintiff in 12,526 cases where the aggregate amount in dispute was approx. PLN 54 m. The Group acted as a defendant in 1,625 cases where the aggregate amount in dispute was approx. PLN 52 m.

As at 31 March 2020, the total amount of claims involving the location of power installations on third-party properties without a legal title, awarded by final judgments, was approx. PLN 49 m in approx. 854 cases. 985 court cases with amounts in dispute totaling PLN approx. 102 m were pending.

Based on the available data pertaining to the value of pending proceedings, we assume that the actual amount to be paid after the above-mentioned disputes are resolved may reach PLN 88,4 m, which is subject to change if new court cases involving power installations located on third-party properties without a necessary legal title are brought against Energa Operator SA.

The above data do not include cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the company to recover the amounts due from its customers and bankruptcy cases, with the exception of the case brought by Energa Obrót against Ergo Energy Sp. z o.o. for the amount of approx. PLN 13 m. As regards the aforesaid case, the following changes took place in 2019 relation to the information contained in the 2018 Report of the Energa SA Management Board on the Activity of Energa Group:

1. On 8 May 2019, the Court of Appeal in Gdańsk, 1st Civil Division, (court of second instance) issued the final and non-appealable judgment in case file No. I Aga 453/18.
2. Within the scope covered by the primary claim, the statement of claim filed by ERGO ENERGY Sp. z o.o. as to point I of the judgment of the first-instance court was dismissed (relative to the amount of PLN 100,000) and the appeal filed by ERGO ENERGY Sp. z o.o. was dismissed in its entirety. Within the remaining scope, the judgment related to the costs of court proceedings.
3. On 4 December 2019 Energa Obrót filed a reply to the cassation complaint lodged by ERGO-ENERGY Sp. z o.o. The Supreme Court decreed the case under reference number IV CSK 734/19.

As at 31 March 2020, the aggregate value of the cases in which court and enforcement-based collection is conducted for and on behalf of Energa Obrót in order for the Company to recover the amounts due from its customers and bankruptcy cases amounted to approx. PLN 359 m, of which:

Type of receivables	Balance as at 31 March 2020 (PLN m)
court and enforcement-based	127.8
bankruptcies	59.7
non-billed	7.1
non-billed – bankruptcies	2.6
TOTAL	197.2

Below are presented the proceedings with the highest value in dispute submitted to or continued before the court in 2020. The Company's previous periodic reports contain details of the legal steps taken during earlier years.

Table 28: Proceedings pending before courts, arbitration or public administration bodies

Parties	Object of dispute	Case description
Energa Operator SA (plaintiff), Arcus SA (defendants)	Claim for payment of contractual penalties under the agreements to supply and launch the metering infrastructure (re: stage I of AMI).	<p>The statement of claim for payment (the amount in dispute is PLN 23,152,481) was filed by Energa Operator SA on 7 April 2015.</p> <p>The case is pending before the Regional Court in Gdańsk, file No. IX GC 381/15.</p> <p>On 10 June 2015, the defendants filed a statement of defence, requesting that the claim be dismissed in its entirety, arguing that the defendants are not at fault for the delays and that some of the delays being caused by reasons attributable to Energa Operator. Also, the operation of force majeure, the fact that Energa Operator SA suffered no losses and grossly excessive amount of contractual penalties were invoked.</p> <p>In the letter of 18 December 2015, the defendants argued that the agreements were invalid due to their imprecise language and contractual inequality of the parties.</p> <p>The parties moved to the court to appoint experts for the purpose of drafting of opinions. The case files were provided to the experts so that they could prepare their opinions. As at 18 March 2020, the Company received 2 opinions in the area of metrology and meteorology.</p>
Arcus SA (plaintiff) Energa Operator SA (defendant)	<ul style="list-style-type: none"> • Claim to declare an agreement regarding stage II of AMI invalid • Counterclaim for payment of contractual penalties for stage II of AMI 	<p>On 8 February 2016, a copy of the statement of claim filed by T-Matic Systems SA and Arcus SA was served on Energa Operator.</p> <p>The case is pending before the Regional Court in Gdańsk, file No. IX GC 893/15.</p> <p>On 7 November 2016, a counterclaim was filed against Arcus and T-Matic for payment of PLN 157,063,142 on account of the payment of contractual penalties of PLN 156,060,200 and PLN 1,002,942 on account of a reduction in remuneration, as per the call for payment of 9 November 2015. On 30 January 2017, the court issued a decision to resume the proceedings which had been stayed upon the parties' motion.</p> <p>On 13 June 2017, the court decided to discontinue the interlocutory appeal proceedings to dismiss the Plaintiff's motion for injunctive relief prohibiting the use of the insurance guarantee, in connection with a motion to withdraw the interlocutory appeal. The case files have been forwarded to the Regional Court in Gdańsk. In this case, evidence proceedings have been initiated and further witnesses are being heard.</p> <p>As regards the counterclaim, it was served on the plaintiffs (counterclaim defendants) who filed a statement of defence. The court heard the witnesses and representatives of Arcus SA, T-Matic Systems SA and Energa Operator SA. The parties submitted motions to</p>

		examine evidence from the experts' opinions, the court will decide on whether to admit and examine that evidence. Currently, the court is looking for experts capable of preparing an opinion.
Arcus SA (plaintiff) Energa Operator SA (defendant)	Claim for payment of compensation for unlawful acts/unfair competition practices	<p>On 29 January 2018, Energa Operator received a copy of the statement of claim from Arcus SA and T-Matic Systems SA for payment of the amount of PLN 174,111,458.96 to Arcus SA as compensation for unlawful acts allegedly committed by Energa Operator. The compensation concerns losses resulting from an unlawful act/unfair competition practice committed deliberately by Energa Operator SA and involving illegal actions or omissions in relation to the process of performing construction contracts for stage I and II of the AMI system. It appears from the reasons for the pleading that the loss incurred by Arcus SA and T-Matic SA is related to the unlawful calculation of contractual penalties by Energa Operator SA, as a result of which a dispute arose and escalated, leading to numerous court proceedings, thereby causing a loss "which was related to the occurrence of the circumstances (described in the statement of claim) concerning the business activity carried out."</p> <p>Energa Operator disputes legitimacy of that statement of claim and in response to the statement of claim dated 30 April 2018. Pursuant to Article 177 § 1 Clause 1 of the Code of Civil Procedure, the court suspended the related proceedings. Energa Operator appealed against this decision in a complaint, which was dismissed.</p>
Arcus SA (plaintiff) Energa Operator SA (defendant)	For payment for additional works at AMI Stage 1	<p>On 30 September 2019, the Company received a copy of the statement of claim filed by Arcus SA and T-Matic Systems SA, in which the companies demand that Energa Operator pays PLN 4,710,466 of remuneration or returns groundless enrichment, or damages for alleged additional works performed during AMI Stage 1. The Company disputes legitimacy of that statement of claim and has moved for it to be dismissed.</p>
Energa Operator SA (plaintiff) PKN ORLEN (defendant)	Claim for payment on account of the system fee for services provided to that entity as an autoproducer undertaking	<p>On 30 June 2004, Energa Operator SA (formerly Zakład Energetyczny Płock) filed in the Regional Court in Warsaw a claim against PKN ORLEN for the payment of PLN 46 m as the system fee for the services provided to that entity as an autoproducer undertaking. On 25 June 2008, the judgment dismissing the statement of claim filed by Energa Operator SA was pronounced. On 2 September 2008, Energa Operator SA appealed against the judgment to the Court of Appeal in Warsaw. On 10 September 2009, the Court of Appeal in its judgment modified the appealed judgment so that the amount of PLN 46 m was awarded to Energa Operator SA together with statutory interest and the reimbursement of the costs of proceedings. On 30 September 2009, PKN ORLEN paid the entire awarded amount including interest, i.e. PLN 75 m and reimbursed the costs of proceedings. However, PKN ORLEN filed a cassation appeal to the Supreme Court against that judgment. On 28 January 2011, the Supreme Court repealed the judgment of the Court of Appeal and returned the case to that court for re-examination. After re-examining the case, the Court of Appeal in the judgment of 4 August 2011 repealed the</p>

judgment of the Regional Court dismissing the action of Energa Operator SA and returned the case to that court for re-examination. As a result, the basis for the consideration paid by PKN ORLEN to Energa Operator SA ceased to exist. In view of the above, Energa Operator SA returned the previously received amount, together with the costs of the proceedings, to PKN ORLEN. The Regional Court in Warsaw pronounced the judgment in the case on 27 October 2014. It awarded to Energa Operator SA from PKN ORLEN the entirety of the sought claim, i.e. PLN 46 m with the interest accrued from 30 June 2004. The judgment was not final and non-appealable. Both parties moved to the court to prepare a written statement of grounds for the judgment and deliver it to each of them. Energa Operator SA received the judgment with the statement of grounds on 12 December 2014 and on 29 December 2014 PKN ORLEN filed an appeal against that judgment to which Energa Operator SA responded. A hearing was held on 12 November 2015 before the Court of Appeal in Warsaw. Following the court's suggestions, the parties' legal representatives agreed to postpone the hearing and initiate discussions relating to a settlement. The parties did not reach an agreement following negotiations and, consequently, Energa Operator SA informed the court about the failed talks and moved to the court to set the date of the next hearing which was held on 6 April 2016. On 19 April 2016, the Court of Appeal in Warsaw pronounced its judgment in the case, file No. I ACa 257/15, brought by Energa Operator SA, Branch in Plock, against PKN ORLEN. The court partially dismissed the defendant's appeal. Consequently, the judgment of the Regional Court in Warsaw of 27 October 2014 in the case, file No. XVI GC 782/11, awarding PLN 16.1 m plus interest accrued from 30 June 2004 to the plaintiff, became final and non-appealable. The judgment is final and non-appealable. Energa Operator SA moved to the court to have the judgment with the statement of grounds delivered to it.

On 29 September 2016, Energa Operator filed with the Supreme Court a cassation appeal against the judgment of 19 April 2016 handed down by the Court of Appeal in Warsaw.

On 24 October 2016, the representative of Energa Operator received PKN ORLEN's cassation appeal filed against the aforesaid judgment of the Court of Appeal in Warsaw. The Supreme Court dismissed the appeal filed by the defendant PKN ORLEN but granted the appeal filed by Energa Operator SA, reversing the appealed judgment of the Court of Appeal and remanding the case to the same for re-examination. Having re-examined the case, the Court of Appeal rendered a judgment of 15 November 2017 reversing those provisions of the appealed judgment of the Regional Court of 27 October 2014 which ordered PKN ORLEN to pay PLN 30,093,882.82 and remanding the case for re-examination to the Regional Court in that respect.

On 26 November 2019, the Regional Court in Warsaw pronounced its judgment, awarding the amount of PLN 16,036,400 plus statutory interest accrued from 30

June 2004 until 31 December 2015 and penalty interest accrued from 1 January 2016 until the date of payment from PKN ORLEN to Energa Operator. The court dismissed the statement of claim in the remaining part. The court ruled that the plaintiff won the case in 70% and the defendant successfully defended itself in 30%. Therefore, the court divided the costs of proceedings accordingly, with the defendant bearing 70% of them and the plaintiff covering the remaining 30%.

The judgment is not final and the parties announced that they would move to the court to prepare a written statement of grounds for the judgment. Energa Operator has filed such motion. On 30 March 2020, the court served a copy of the judgment with reasons. From this day the deadline for filing an appeal began. As a result of the anti-crisis law, this period was suspended from 31 March 2020 until the end of the epidemic period. Nevertheless, the appeal is being prepared and will be lodged before the suspension period ends. Given the current status of the case, the Group showed a contingent asset in the amount of PLN 11.7 m.

Energa Operator SA (party) PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	Energa Operator received the decision of 21 December 2016 in which the President of the URE imposed a fine of PLN 11 m on Energa Operator for misleading the President of the URE. The Company appealed against this decision and requested that it be reversed in its entirety or, alternatively, revised by waiving the fine or reducing it to PLN 50,000. On 24 May 2019, the Regional Court in Warsaw pronounced a judgment in the case file No. XVII AmE 224/17 reducing the fine to PLN 5.5 m.
Both parties filed appeals in this case.		
Energa Operator SA (party) PRESIDENT OF THE ENERGY REGULATORY OFFICE (authority)	Fine imposed by the authority	Energa Operator received the decision of 6 November 2017 imposing fines totaling PLN 13,600,000 for breaching the Traffic and Distribution Grid Operation Manual by: (1) communicating with trading companies using other codes than provided for in the Traffic and Distribution Grid Operation Manual; (2) failing to meet the deadlines to provide measurement data to trading companies; (3) failing to meet the deadlines to consider complaints from trading companies; (4) failing to meet the deadlines to verify reports on replacement of the vendor; (5) failing to meet the deadlines for the final settlement of electricity sales agreements; and (6) failing to resume electricity supplies to one of the customers.
The Company appealed against this decision and requested that it be reversed or, alternatively, revised by waiving or reducing the fine.		
The case is pending before the Regional Court in Warsaw under file No. XVII AmE 68/18.		
The first hearing was held on March 3, 2020, further dates set for 7 April and 19 May 2020 were abolished due to the epidemic status associated with COVID-19. As of May 15, 2020, no further deadlines have been set.		

<p>Energa Kogeneracja Sp. z o.o. (plaintiff) Mostostal Warszawa SA (defendant)</p>	<p>Claim for payment on account of a contract price reduction</p>	<p>On 22 June 2017, Energa Kogeneracja Sp. z o.o. filed a statement of claim against Mostostal Warszawa SA with the Regional Court in Gdańsk, requesting that the defendant be ordered to pay to the plaintiff PLN 106,417,065.12 plus statutory penalty interest accrued for the period from the date of filing the statement of claim until the payment date. The plaintiff seeks the reduction of the contractual price owing to Energa Kogeneracja Sp. z o.o. for the performance of Contract No. EKO/86/2011 by PLN 90,286,722.15 (legal basis: Article 637(2) of the Civil Code in conjunction with Article 656(1) of the Civil Code). The case is pending under file No. IX Gc 494/17.</p> <p>On 15 September 2017, the Regional Court in Gdańsk issued a decision to preserve evidence in the form of an opinion by an expert (institute) witness. Inquiries about the possibility of preparing a relevant opinion sent out by the Court were all refused by the institutes.</p> <p>On 22 December 2017, Energa Kogeneracja Sp. z o.o. received a statement of defence accompanied by a counterclaim for the amount of PLN 7,753,230. The State Treasury, represented by the Minister for Energy, joined the proceedings as a secondary intervenor alongside Energa Kogeneracja Sp. z o.o.</p> <p>In a letter dated 27 April 2018, Mostostal Warszawa SA upheld its opposition and presented its further position. In the letter dated 13 June 2018, Mostostal Warszawa SA moved for a reversal of the evidence preservation decision and admission of evidence in the form of an opinion issued by a research and scientific institute in the normal course of proceedings, i.e. once the witnesses have been heard. Additionally, Mostostal Warszawa SA moved that the opinion be prepared by a foreign institute and designated two institutes from the United Kingdom. Responding to the letter, Energa Kogeneracja Sp. z o.o. moved for a dismissal of the motion of Mostostal Warszawa SA to reverse the decision of 23 August 2017, amendment of the decision of 23 August 2017 to reflect further circumstances described in procedural writs, and should the motion of Mostostal Warszawa SA be granted and the decision of 23 August 2017 be reversed, Energa Kogeneracja Sp. z o.o. moved that the inquiry for an opinion be sent first to the Wrocław University of Technology, and only if it is refused, that an inquiry about the possibility of delivering an opinion be sent to foreign institutes, and to this end, Energa Kogeneracja listed five institutes, highlighting one from Denmark. With the letter of 7 September 2018, Energa Kogeneracja Sp. z o.o. expanded its statement of claim to include PLN 7,969,194.27 arising from contractual penalties for the failure to achieve the guaranteed availability of the Unit in the third year of operation.</p> <p>A hearing was held on 6 November 2018 where the Court granted the opposition of Mostostal Warszawa SA to the intervention of the State Treasury – the Minister for Energy. Energa Kogeneracja Sp. z o.o. filed an appeal against the decision. The State Treasury also filed an appeal against that decision. The appeals filed by Energa Kogeneracja Sp. z o.o. and the State Treasury were granted and, consequently, the opposition of Mostostal</p>
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		<p>Warszawa SA was dismissed. The court summoned Energa Kogeneracja Sp. z o.o. to declare whether it withdraws its motion to preserve evidence from examination of the expert/institute opinion due to completion of the Unit's renovation and absence of institutes in Poland willing to draft an opinion. With the letter of 8 July 2019, Energa Kogeneracja Sp. z o.o. upheld its motion to preserve evidence from examination of an expert/institute opinion and moved to the court to make enquiries with the designated foreign institutes relating to their willingness to draft opinions. The court decided to ask the Danish institute with about the possibility of drafting an opinion in the case, the anticipated date of its drafting and the anticipated related costs.</p> <p>The Danish institute failed to respond to the court's enquiry by 5 June 2020.</p> <p>The parties are currently conducting negotiations with a view to reaching a settlement.</p>
<p>Mostostal Warszawa SA (plaintiff) Energa Kogeneracja Sp. z o.o. (defendant)</p>	<p>Claim for payment of remuneration</p>	<p>Mostostal Warszawa SA moved to the court to award the amount of PLN 26,274,037.16 thereto from Energa Kogeneracja Sp. z o.o. as (partial) remuneration.</p> <p>On 2 February 2018, the Regional Court in Gdańsk issued a payment order under the writ of payment proceedings in the case, file No. IX GNc 125/18, in which the principal amount receivable awarded from Energa Kogeneracja Sp. z o.o. to Mostostal Warszawa SA amounted to PLN 26,274,037.16.</p> <p>In its objection to the payment order of 23 February 2018, Energa Kogeneracja Sp. z o.o. moved to the court to dismiss the statement of claim in its entirety. The case is pending before the Regional Court in Gdańsk, file No. IX GC 190/18.</p> <p>In the letter of 22 June 2018, Mostostal Warszawa SA presented a settlement proposal (relating exclusively to interest payments).</p> <p>In the letter of 25 June 2018, Energa Kogeneracja Sp. z o.o. informed the court about lack of prospects for the settlement of the dispute.</p> <p>A new trial date was set for 22 July 2020.</p> <p>The parties are currently conducting negotiations with a view to reaching a settlement.</p>
<p>Boryszewo Wind Invest Sp. z o.o. (plaintiff) Energa Obrót SA (defendant)</p>	<p>Claim for payment of damages for the failure by Energa Obrót SA to perform part of the agreement to purchase property rights in certificates of origin for renewable electricity.</p>	<p>Case file No. IX GC 701/17; on 25 August 2017, Boryszewo Wind Invest filed a statement of claim against Energa Obrót with the Regional Court in Gdańsk for payment of PLN 31,931,614.78 plus interest as damages for a failure to perform part of the Framework Agreement for the Sale of Property Rights under Certificates of Origin No. W/HH/210/2010/1, which consisted in making a representation about partial termination of the agreement and refusal to acquire property rights in certificates of origin. The amount claimed comprises "losses" incurred by the plaintiff due to the necessity to sell the property rights at the TGE exchange plus statutory interest (PLN 25,694,540.08) and incidental</p>

		<p>costs relating to debt service under a credit facility agreement (PLN 6,282,074.70).</p> <p>On 27 December 2017, a hearing was held at which Boryszewo Wind Invest withdrew the statement of claim with regard to the amount of PLN 150,000.00.</p> <p>The first-instance judgment was passed on 28 November 2018. The Court awarded PLN 17,796,755 plus statutory interest from 26 July 2017 from Energa Obrót to the Plaintiff and dismissed the remaining part of the action, i.e. concerning the amount of PLN 13,984,860, awarding the costs of proceedings amounting to PLN 58,596 from Energa Obrót SA to the Plaintiff.</p> <p>On 5 February 2019, Energa Obrót filed an appeal.</p> <p>The second-instance judgment was passed on 28 October 2019. The Court dismissed the appeal filed by Energa Obrót and awarded the costs of proceedings amounting to PLN 18,750 from the Defendant to the Plaintiff.</p> <p>On April 30, 2020, the justification of the judgment of the second instance court was received. The company plans to lodge a cassation complaint against the judgment.</p>
<p>Energa Obrót SA (plaintiff) MEGAWATT BALTICA SA (defendant 1), Powszechna Kasa Oszczędności Bank Polski SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Arbitration Court at the Polish Chamber of Commerce in Warsaw. Case file number assigned: SA 128/17. The parties filed a response to the counterclaim.</p> <p>On 29 January 2018, a court session with Megawatt Baltica SA's participation was held with respect to the summons for a settlement attempt. No settlement was signed.</p> <p>An updated counterclaim was filed by Megawatt Baltica SA on 1 September 2018. The amount of the claim is PLN 16,969,401.36 including statutory penalty interest.</p> <p>On 27 December 2018, the final judgment was issued whereby contractual penalties were awarded. The amount of the contractual penalties awarded was reduced by 10% (i.e. PLN 15,272,462).</p> <p>On 26 September 2019, hearings were held regarding complaints for reversing the partial and final judgment.</p> <p>The judgment dismissing the appeal filed by Energa Obrót against the final judgment was passed by the court on 10 October 2019. The court awarded the costs of proceedings amounting to PLN 2,417 from Energa Obrót to Megawatt Baltica SA.</p> <p>On 11 October 2019, Energa Obrót SA filed a request for the statements of grounds for the judgments. The Company decided not to file the cassation appeal in the case of the appeal to reverse the partial judgment. On the other hand, the cassation appeal relating to the appeal to reverse the final judgment was filed on 17 February 2020.</p> <p>On 24 March 2020, the opponent filed a cassation appeal.</p>

<p>Energa Obrót SA (plaintiff) EOLICA KISIELICE sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division. Case file number assigned: IX GC 739/17.</p> <p>On 12 March 2018, Raiffeisen Bank Polska SA filed a counterclaim for payment (the amount claimed: PLN 3,104,430). A settlement was signed on 22 July 2019. Energa Obrót withdrew the statement of claim and Raiffeisen withdrew the counterclaim.</p> <p>On 1 August 2019, the court decided to discontinue the proceedings regarding the main claim and the counterclaim.</p>
<p>Energa Obrót SA (plaintiff) PGE ENERGIA ODNAWIALNA SA (defendant)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division. Case file number assigned: XX GC 839/17.</p> <p>On 25 April 2018, a hearing was held whereby ENERGIA ODNAWIALNA SA filed a counterclaim for payment of contractual penalties (the amount claimed: PLN 9,175,362). The court referred the parties to mediation which did not lead to a settlement. Nonetheless, the parties continue to discuss the settlement.</p> <p>In the course of consecutive hearings, among other things, PGE ENERGIA ODNAWIALNA SA filed an expanded counterclaim for payment of contractual penalties, Energa Obrót filed a response to the statement of defence and the evidence from witness testimonies was examined.</p> <p>On 5 November 2019, Energa Obrót filed a response to the extension of the counterclaim. On 3 March 2020, Energa Obrót withdrew her claim.</p> <p>On 9 March 2020, PGE Energia Odnawialna S.A. withdrew the counterclaim.</p> <p>On 12 March 2020, Energa Obrót withdrew the application for legal costs in a counterclaim.</p> <p>On 27 February 2020, Energa Obrót SA concluded with PGE Energia Odnawialna S.A. to settle and end disputes regarding three framework agreements for the sale of property rights arising from certificates of origin.</p> <p>On 12 March, 2020, Energa Obrót. withdrew the application for legal costs in a counterclaim. By a decision of 30 March 2020, the court discontinued the proceedings.</p>
<p>Energa Obrót SA (plaintiff) C&C WIND Sp. z o.o. (defendant 1), Bank Ochrony Środowiska SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Arbitration Court at the Polish Chamber of Commerce in Warsaw. Case file number assigned: SA 127/17. The parties filed a response to the counterclaim. On 29 December 2017, Energa Obrót withdrew the statement of claim against BOŚ.</p> <p>In its decision of 16 January 2018, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw discontinued the proceedings against the defendant BOŚ</p>

		<p>SA as the statement of claim filed against that entity had been withdrawn.</p> <p>On 1 September 2018, C&C Wind Sp. z o.o. filed the updated counterclaim (the amount claimed is PLN 7,767,619.14 including statutory penalty interest).</p> <p>On 10 October 2018, Energa Obrót paid the amount due on account of contractual penalties making a reservation that it was to be refunded 90% of the paid amount on the grounds of gross overstatement of contractual penalties. C&C Wind withdrew its counterclaim which Energa Obrót opposed with respect to the amount the refund of which it reserved. C&C Wind withdrew the withdrawal of the counterclaim for the amount opposed by Energa Obrót and changed the claim for payment to an action for declaration that Energa Obrót was not entitled to the refund of contractual penalties.</p> <p>On 27 December 2018, the court issued a judgment whereby it decided that C&C Wind was not required to refund the paid contractual penalties of PLN 6,578,480 to Energa Obrót.</p> <p>On 8 March 2019, Energa Obrót filed an appeal seeking a reversal of the final judgment and C&C Wind Sp. z o.o. filed a response to that appeal on 6 August 2019.</p> <p>The date of the hearing has not been set.</p>
<p>Energa Obrót SA (plaintiff) BORYSZEWO WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. Case file number assigned: XVI GC 799/17. The parties filed a response to the counterclaim and exchanged procedural writs.</p> <p>In September 2018, the Court closed the court proceedings and issued a judgment dismissing the statement of claim, and Energa Obrót filed an appeal on 2 November 2018.</p> <p>On 21 December 2018, Boryszewo Wind Invest submitted a response to the appeal, and on 28 December 2018 - mBank SA.</p>
<p>Energa Obrót SA (plaintiff) JEŻYCZKI WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin ("CPA")</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. Case file number assigned: XVI GC 805/17.</p> <p>The parties submitted a response to the counterclaim and exchanged procedural writs. Thereafter, a hearing was held, during which, on 6 June 2018 the court issued a judgment dismissing the statement of claim, which the parties appealed against.</p> <p>The appellate hearing has not been scheduled.</p>

<p>Energa Obrót SA (plaintiff) WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. Case file number assigned: XVI GC 798/17.</p> <p>The judgment was pronounced on 19 September 2019. The court dismissed the statement of claim filed by Energa Obrót.</p> <p>On 27 November 2019, Energa Obrót filed an appeal.</p>
<p>Energa Obrót SA (plaintiff) STARY JAROSŁAW WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. Case file number assigned: XVI GC 802/17.</p> <p>On 17 November 2017, the defendants filed statements of defence, the parties exchanged procedural writs and the witnesses were heard.</p> <p>With its judgment of 24 September 2019, the court dismissed the action for declaration.</p> <p>On 17 December 2019, Energa Obrót filed an appeal against the judgment.</p> <p>On 19 March 2020, STARY JAROSŁAW WIND INVEST filed a response to the appeal.</p> <p>On 23 March 2020, mBank responded to the appeal.</p>
<p>Energa Obrót SA (plaintiff/counter-defendant) PGE ENERGIA ODNAWIALNA SA (defendant/counter-plaintiff)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division. Case file number assigned: XX GC 842/17. On 27 March, PGE Energia Odnawialna SA filed a statement of defence and the Court referred the parties to mediation and appointed a mediator. The mediation procedure ended on 15 December 2018. The parties did not reach an agreement.</p> <p>On 22 May 2019, a hearing was held during which the court took evidence from a witness and PGE filed a counterclaim to which Energa Obrót filed a defence on 12 June 2019. The hearing scheduled for 4 September 2019 was postponed at the mutual request of the parties motivated by settlement negotiations.</p> <p>On 3 March 2020, Energa Obrót withdrew the claim. On 9 March 2020, PGE Energia Odnawialna S.A. withdrew the counterclaim. On 12 March 2020, Energa Obrót SA. withdrew the application for legal costs in a counterclaim.</p> <p>The settlement was concluded on 27 February 2020.</p>

<p>Energa Obrót SA (plaintiff) KRUPY WIND INVEST sp. z o.o. (defendant 1), mBank SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. Case file number assigned: XVI GC 803/17. The parties filed statements of defense to the statement of claim. On 10 April 2019, the court held a hearing at which it heard the defendant and closed the proceedings. On 8 May 2019, the court passed a judgment dismissing the statement of claim against which Energa Obrót filed an appeal.</p> <p>On 14 August 2019, KRUPY WIND INVEST responded to the appeal. On August 16, 2019, mBank submitted a response to the appeal.</p> <p>The date of the appeal hearing set for 17 April 2020 was cancelled due to the state of the epidemic.</p>
<p>Energa Obrót SA (plaintiff) PGE ENERGIA NATURY sp. z o.o. (defendant)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 20th Commercial Division. Case file number assigned: XX GC 841/17.</p> <p>On 26 February 2018, the court referred the parties to mediation. The mediation procedure ended on 15 December 2018. The parties did not reach an agreement. Nonetheless, they continue discussing the settlement.</p> <p>On 20 August 2019, PGE ENERGIA NATURY Sp. z o.o. filed a counterclaim to which Energa Obrót filed a defence on 14 November 2019.</p> <p>On 3 March 2020, Energa Obrót withdrew the claim. On 9 March 2020, PGE Energia Odnawialna S.A. withdrew the counterclaim.</p> <p>On 12 March 2020, Energa Obrót withdrew the application for legal costs in a counterclaim.</p> <p>The settlement was concluded on 27 February 2020.</p> <p>By decision of 23 March 2020, the court discontinued the proceedings. The hearing scheduled for 28 May 2020 was canceled.</p>
<p>Energa Obrót SA (plaintiff) WINDVEST – POLAND sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division. Case file number assigned: XXVI GC 711/17.</p> <p>On 20 November 2019, the parties reached a settlement and Energa Obrót withdrew the statement of claim and moved for the proceedings to be discontinued.</p> <p>By a decision of 20 January 2020 the court discontinued the proceedings.</p>

<p>Energa Obrót SA (plaintiff) SAGITTARIUS SOLUTIONS sp. z o.o. (defendant 1), RAIFFEISEN BANK POLSKA SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 16th Commercial Division. Case file number assigned: XVI GC 804/17.</p> <p>The parties filed statements of defence and exchanged procedural writs, and witnesses were heard.</p> <p>On 8 May 2020, the parties concluded an out-of-court settlement.</p> <p>On 11 May 2020, Energa Obrót withdrew the claim and requested that the proceedings be discontinued.</p>
<p>Energa Obrót SA (plaintiff/counter-defendant) EW CZYŻEWO sp. z o.o. (defendant 1/counter-plaintiff), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division. Case file number assigned: IX GC 736/17. With the statement of defence, EW CZYŻEWO sp. z o.o. filed a counterclaim.</p> <p>On 4 December 2018, the court issued a judgment dismissing the action for declaration and awarding from Energa Obrót contractual penalties in the amount of PLN 4,065,769 with statutory interest. Energa Obrót SA filed an appeal on 6 February 2019 and EW Czyżewo Sp. z o.o. and BGŻ BNP Paribas SA filed appeals on 18 March 2019.</p> <p>The judgment was pronounced on 28 November 2019 whereby the second-instance court revised the judgment of the first-instance court in such a way that it awarded PLN 2,439,461 (instead of PLN 4,065,769) plus statutory penalty interest from Energa Obrót to EW Czyżewo Sp. z o.o. and dismissed the remaining part of the counterclaim and awarded the amount of PLN 62,160 on account of costs of first-instance proceedings (instead of PLN 130,000) from Energa Obrót to EW Czyżewo Sp. z o.o. In the remaining part, the court dismissed the appeal and awarded from Energa Obrót to Bank BGŻ BNP PARIBAS SA the amount of PLN 11,250 on account of reimbursement of the cost of appellate proceedings and from EW Czyżewo Sp. z o.o. to Energa Obrót the amount of PLN 26,500 on account of reimbursement of the costs of appellate proceedings. A statement of the grounds for the judgment was requested.</p> <p>The statement of the grounds for the judgment was received on 4 February 2020.</p> <p>On 6 April 2020, a cassation complaint was filed.</p>
<p>Energa Obrót SA (plaintiff) ELEKTROWNIA WIATROWA EOL sp. z o.o. (defendant 1), BANK ZACHODNI WBK SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Warsaw, 26th Commercial Division. Case file number assigned: XXVI GC 712/17.</p> <p>On 6 February 2018, the court referred the parties to mediation and the defendants refused to mediate.</p> <p>By a judgment of 21 February 2020, the court dismissed the claim of Energa Obrót An application for justification of the judgment has been submitted.</p>

<p>Energa Obrót SA (plaintiff) WIELKOPOLSKIE ELEKTROWNIE WIATROWE sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division. Case file number assigned: IX GC 735/17.</p> <p>On 6 December 2018, the court dismissed the action for declaration with its judgment. Energa Obrót filed an appeal.</p> <p>On 13 August 2019, the court pronounced a judgment dismissing the appeal by Energa Obrót and awarding the costs of legal representation to the defendants. The judgment is final and non-appealable.</p>
<p>Energa Obrót SA (plaintiff) EW KOŹMIN sp. z o.o. (defendant 1), BANK BGŻ BNP PARIBAS SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division. Case file number assigned: IX GC 738/17. The defendant wind farm filed a counterclaim against the Company for payment of contractual penalties.</p> <p>On 30 August 2018, the court issued a judgment dismissing the action for declaration and awarding contractual penalties. Energa Obrót filed an appeal.</p> <p>The appeal hearing, originally scheduled for 17 March 2020, was moved to 1 June 1 2020 due to the current situation related to the epidemiological threat. On 1 June 2020 an appeal hearing was held.</p>
<p>Energa Obrót SA (plaintiff/counter-defendant) WIATROWA BALTICA sp. z o.o. (defendant 1/counter-plaintiff), Raiffeisen Bank Polska SA (defendant 2)</p>	<p>Action for declaration of the non-existence of a legal relationship purportedly established as a result of Energa Obrót SA entering into an agreement for the sale of property rights under certificates of origin (“CPA”)</p>	<p>On 11 September 2017, Energa Obrót filed a statement of claim with the Arbitration Court at the Polish Chamber of Commerce in Warsaw. Case file number assigned: SA 129/17. The defendants filed a statement of defence accompanied by a counterclaim.</p> <p>On 4 June 2018, the court issued a partial judgment dismissing the action for declaration filed by Energa Obrót.</p> <p>An updated counterclaim was filed by Raiffeisen Bank on 1 September 2018. The amount claimed was PLN 1,352,533.66 including statutory penalty interest.</p> <p>By its final judgment of 27 December 2018, the court awarded the amount of contractual penalties, reduced by 10% (i.e. PLN 1,019,280.31).</p> <p>On 8 March 2019, Energa Obrót filed an appeal seeking a reversal of the final judgment.</p> <p>The defendants did not file a response to the appeal and the date of the hearing was not set.</p>
<p>Wielkopolskie Elektrownie Wiatrowe sp. z o.o. (plaintiff) Energa Obrót SA (defendant)</p>	<p>Claim for payment of contractual penalties on account of Energa Obrót SA failure to perform the contract for the sale of property rights derived from certificates of origin (“CPA”)</p>	<p>On 14 August 2019, Wielkopolskie Elektrownie Wiatrowe (WEW) filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division, for payment by Energa Obrót SA of contractual penalties on account of failure to perform CPA. Case file number assigned: IX GC 719/19.</p> <p>The court referred the parties to mediation and a mediation meeting took place on 14 January 2020. The parties did not reach an agreement.</p>

		<p>Mediation has ended, no settlements have been reached. You should expect to set a date for the first hearing after the end of the epidemic. During the hearings, evidence will be conducted (evidence from witness statements).</p> <p>On 19 May 2020, Energa Obrót submitted a duplicate. The court set the date of the meeting as 29 July 2020.</p>
<p>Elektrownia Wiatrowa Zonda sp. z o.o. (plaintiff) Energa Obrót SA (defendant)</p>	<p>Claim for payment of damages on account of Energa Obrót SA failure to perform the contract for the sale of property rights derived from certificates of origin ("CPA")</p>	<p>On 19 August 2019, Elektrownia Wiatrowa Zonda filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division, for payment by Energa Obrót of damages on account of failure to perform CPA. Case file number assigned: IX GC 735/19.</p> <p>On 8 October 2019, Energa Obrót SA filed a statement of defense.</p> <p>The court referred the parties to mediation. However, neither party consented thereto.</p> <p>On 31 January 2020, a preparatory meeting was held at which a schedule for witnesses' hearings was established. Due to the epidemic, the dates of hearing witnesses and parties were cancelled.</p>
<p>Elektrownia Wiatrowa EOL sp. z o.o. (plaintiff) Energa Obrót SA (defendant)</p>	<p>Claim for payment of contractual penalties on account of Energa Obrót SA failure to perform the contract for the sale of property rights derived from certificates of origin ("CPA")</p>	<p>On 20 August 2019, Elektrownia Wiatrowa EOL filed a statement of claim with the Regional Court in Gdańsk, 9th Commercial Division, for payment by Energa Obrót of contractual penalties on account of failure to perform CPA. Case file number assigned: IX GC 740/19.</p> <p>On 23 September 2019, Energa Obrót filed a statement of defence to which Elektrownia Wiatrowa EOL filed a response on 18 December 2019.</p> <p>On 23 January 2020, the Regional Court in Gdańsk decided to suspend the case for payment brought by Elektrownia Wiatrowa EOL Sp. z o.o. until final and non-appealable conclusion of the action for declaration (Regional Court in Warsaw, case file No. XXVI GC 712/17).</p>

7.4. Headcount in the Group

As at 31 March 2020, the Energa Group employed the total of 9,942 persons (vs. 9,957 as at the end of last year). The main reason for changes in the level of employment in Q1 2020 (down by 15 people) was natural rotation.

7.5. Collective disputes and collective dismissals

Collective dismissals

In Q1 2020, Group companies did not carry out any collective dismissals as defined in the Act of 13 March 2003 on special rules for termination of employment contracts for reasons not attributable to employees.

Collective disputes

In Q1 2020, there were two collective disputes pending at the Group. All collective disputes are currently at mediation stage.

A collective dispute between Energa Elektrownie Ostrołęka SA (EEO SA) and organisations of trade unions: Związek Zawodowy Energetyków and Związek Pracowników Ruchu Ciągłego, in connection with demands made on 22 August 2017 and on 8 September 2017 regarding the conclusion of a Collective Agreement covering the employees of EEO SA.

A collective dispute between Energa Elektrownia Ostrołęka SA (EEO SA) and organisations of trade unions: Związek Zawodowy Energetyków, Związek Zawodowy Pracowników Ruchu Ciągłego, Związek Zawodowy Inżynierów i Techników, in connection with demands made on 7 February 2019 regarding the introduction of Employee Pension Plans in Energa Elektrownia Ostrołęka SA from 1 January 2019.

Signatures of Energa SA Management Board Members

Jacek Goliński
President of the Energa SA Management Board

Marek Kasicki
Vice-President of the Energa SA Management Board for Finance

Adrianna Sikorska
Vice-President of the Energa SA Management Board for Communication

Dominik Wadecki
Vice-President of the Energa SA Management Board for Operations

Iwona Waksmundzka-Olejniczak
Vice-President of the Energa SA Management Board for Corporate Affairs

Mikołaj Zwierzewski
Director of the Finance Department

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Glossary of terms and abbreviations

Biomass	Solid or liquid, biodegradable substances of plant or animal origin, originating from products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of other waste, in particular agricultural raw materials
CAPEX (Capital Expenditures)	Capital expenditures
CIRS, CCIRS (Currency Interest Rate Swap, Cross-Currency Interest Rate Swap)	Currency Interest Rate Swap and Cross-Currency Interest Rate Swap transactions in which payments are made over a specified period with a prescribed frequency, based on variable interest rates, in two different currencies (CIRS) or in more currencies (CCIRS)
CO ₂	Carbon dioxide
EIB (European Investment Bank)	European Investment Bank
EBITDA (Earnings before interest, taxes, depreciation and amortization)	Energa SA defines EBITDA as operating profit/loss plus depreciation/amortisation and impairment of non-financial non-current assets.
EBIT (earnings before interest and taxes)	Operating profit
Energa SA, Energa	Parent company in the Energa Group of Companies
Energa Operator, EOP	Energa Operator SA – a subsidiary of Energa SA and the Leading Entity of the Distribution Business Line in the Energa Group.
Energa Obrót, EOB	Energa Obrót SA – a subsidiary of Energa SA and the Leading Entity of the Sales Business Line in the Energa Group
EMTN (Euro Medium Term Notes)	The Euro Medium Term Notes programme
EUA (European Union Allowance)	emission allowances
EUR	Euro, currency used in European Union's eurozone countries
WSE	Giełda Papierów Wartościowych w Warszawie SA (the Warsaw Stock Exchange).
Energa Group of Companies, Energa Group	A Group of Companies engaged in distribution, trade and generation of electricity and heat. It also conducts activity related to street lighting, design, procurement of materials, grid-related services, specialized transport, hotel and IT services
Tariff group	Group of customers off-taking electricity or heat or using electricity or heat supply services with respect to which a single set of prices or fee rates along with their terms and conditions are applicable
GUS	Central Statistical Office
GW	Gigawatt, unit of power in the International System of Units, 1 GW = 10 ⁹ W
GWe	Gigawatt of electrical power
GWh	Gigawatt hour
IRM	Stimulated Demand Reduction
IRS (Interest Rate Swap)	An interest rate swap agreement between two parties, under which the parties pay interest to each other on a contractual nominal amount calculated according to a different interest rate
Co-generation, CHP	An engineering process of simultaneous production of heat and electrical or mechanical energy in the course of the same engineering process
KRS (National Court Register)	National Court Register (Krajowy Rejestr Sądowy)
kWh	Kilowatt hour, unit of electricity generated or used by a 1 kW device in an hour; 1 kWh = 3,600,000 J = 3.6 MJ
MW	Unit of power in the International System of Units, 1 MW = 10 ⁶ W
MWe	Megawatt of electrical power
MWh	Megawatt hour
NIB	Nordic Investment Bank
Renewable energy sources, RES	Sources converting the energy of wind, solar radiation, geothermal energy, waves, currents and marine tides, run of rivers and energy obtained from biomass, landfill biogas as well as biogas from sewage discharge or treatment processes or the decomposition of plant and animal remains to generate electricity
OR	Operating reserve
DSO, Distribution System Operator	A utility company distributing gaseous fuels or electricity, responsible for grid operation in a gas or electricity distribution system, current and long-term operational safety of the system, operation, maintenance, repairs and the necessary expansion of the distribution network, including connections to other gas or electricity systems
TSO, Transmission System Operator	A utility company transmitting gaseous fuels or electricity, responsible for grid operation in the gaseous transmission system or in the electrical energy transmission system, current and long-term operational safety of this system, operation, maintenance, refurbishment and required expansion of the transmission grid, including connections with other gaseous systems or other electrical power systems
OZEX_A	Volume-weighted average price for all transactions pertaining to the PMOZE_A contract on an exchange session
GDP	Gross Domestic Product
PLN	Polish zloty; national currency
PMI	Industrial economic activity index calculated by Markit in cooperation with HSBC

PMOZE_A	Property rights to certificates of origin for renewable electricity generated starting from 1 March 2009, as specified in the certificate of origin
Property rights	Transferable rights constituting a commodity arising from certificates of origin for renewable energy and energy from co-generation
PSE	Polskie Sieci Elektroenergetyczne Spółka Akcyjna with its registered office in Warsaw, entered in the Register of Entrepreneurs of the National Court Register under KRS No. 0000197596; a company designated by the President of the URE's decision No. DPE-47-58(5)/4988/2007/BT of 24 December 2007 to operate as the Electricity Transmission System Operator in the Republic of Poland in the period from 1 January 2008 to 1 July 2014
YoY	Year on year
SAIDI (System Average Interruption Duration Index)	System Average Interruption Duration Index
SAIFI (System Average Interruption Frequency Index)	System Average Interruption Frequency Index
SFIO	Specialist open-end investment funds
SPOT	Day-Ahead Market (DAM): an energy market operating in the "day ahead" time interval (DA) supplying energy on day D
Certificate of origin from co-generation	A document issued by the President of the URE pursuant to Article 9I of the Energy Law confirming that electricity has been generated in high-efficiency co-generation in: (i) a gas-fired co-generation unit or a co-generation unit with a total installed electrical capacity at source under 1 MW (known as the yellow certificate), (ii) a co-generation unit fired by methane released and captured during deep mining operations in coal mines (open, in liquidation or closed), or gas obtained by processing biomass, (known as a purple certificate), or (iii) another co-generation unit (known as a red certificate)
Certificate of origin from renewable energy sources, green certificate	A document issued by the President of the URE pursuant to Article 9e of the Energy Law confirming that electricity has been generated from a renewable energy source (known as a green certificate)
Tariff G	A tariff group for individual customers – households
Polish Power Exchange, TGE	Towarowa Gielda Energii SA, a commodity exchange where admitted commodities are traded, i.e. electricity, liquid and gaseous fuels, mine gas, pollution emission allowances and property rights arising from certificates of origin, whose price depends directly or indirectly on the price of electricity, liquid or gaseous fuels and the volume of pollution emissions.
TPA (Third Party Access)	The rule which means the ability to use the power grid of a power company without an obligation to buy electricity from that company
TWh	Terawatt hour, a multiple of the SI unit of electricity. 1 TWh equals 10 ⁹ kWh.
URE	Energy Regulatory Office
WACC (weighted average cost of capital)	Weighted average cost of capital
WIBOR (Warsaw Interbank Offered Rate)	Warsaw Interbank Offered Rate
RAB	Regulatory Asset Base
Co-firing	Electricity or heat generation based on a joint, simultaneous process of biomass or biogas combustion with other fuels in one device; part of the energy generated in the above manner may be considered as energy produced from a renewable energy source